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Audit Program for Local Governmental Units

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AUDIT PROGRAM FOR
LOCAL GOVERNMENTAL UNITS

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American Institute of Certified Public Accountants

AUDIT PROGRAM FOR LOCAL GOVERNMENTAL UNITS

Introduction

This audit program has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative technical practice aid. At the request of certain members of the AICPA, this audit program is being made available for purchase by AICPA members subject to recognition of the following:

- This audit program is to serve as a starting point in developing the methodology to be used during the audit of local governmental units. It must be modified, in some cases significantly, to reflect the results of preliminary planning considerations and procedures. Also as the examination progresses, changes in anticipated conditions will require further modification of the program. Not all procedures in the standard audit program may be required for a particular engagement, and some audit procedures necessary in the circumstances may not have been included in the audit program.
- This audit program should be used by or under the supervision of auditors proficient in the application of generally accepted governmental auditing standards to the audit of local governmental units.
- When applying the procedures listed in this audit program, cross-fund auditing techniques should be considered. Cross-fund auditing involves the application of one set of audit procedures to a sample selected from two or more fund types. Accordingly, audit efficiencies can be realized through the application of this technique.
- The extent of detail included in an audit program varies with the judgment of the preparers on how extensively to expand and highlight application of authoritative literature without developing an audit program that is too long or unwieldy. Accordingly, an audit program is not a substitute for direct reference to authoritative literature.
- The audit program is not designed for use in the audit of colleges, universities, hospitals, or nonprofit organizations.
- The audit program has been updated through Audits of State and Local Governments (1986 Revision), Government Auditing Standards (1988 Revision), published by the U. S. General Accounting Office, and SAS No. 62, Special Reports. The audit program should be modified, as appropriate, for subsequent pronouncements.

This audit program in no way represents the official position or a pronouncement of the AICPA. However, questions concerning its use may be directed to the AICPA Technical Hotline.

The technical hotline telephone numbers are (800) 223-4158 for outside New York, and (800) 522-5430 for within New York.

The AICPA wishes to express its appreciation to James H. Jarriel, Jr. from the Florida State Auditor's Office who was most responsible for seeing this project through to completion.

John H. Graves
Director
Technical Services

AUDIT PROGRAM FOR
LOCAL GOVERNMENTAL UNITS

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AICPA Local Governmental Unit

Engagement Planning and Administration
12/31/89

	Done By	Date	W/P Ref.
A. ENGAGEMENT PLANNING PROCEDURES			
1. Determine that a signed engagement letter covering the current engagement is on file. Read letter for any special provisions.	_____	_____	_____
2. Determine that decision to accept engagement (in case of new client) or to retain client has been documented. (See AAM section 11,300.09.)	_____	_____	_____
3. Review those suggested reference materials shown in Appendix A which are relevant to the scope of the engagement.	_____	_____	_____
4. If this is a new client, ascertain that required communications with predecessor auditors, if any, have been made.	_____	_____	_____
5. Ascertain that all applicable independence rules, particularly those related to performance of accounting services, have been complied with.	_____	_____	_____
6. Obtain an initial, overall understanding of the client's operations:			
a. Determine type of local government (home rule status, etc.).	_____	_____	_____
b. Review local laws which pertain to the basic plan or organization and related responsibilities of executive, legislative, and administrative personnel.	_____	_____	_____
c. Determine if the local government is required to have a single audit. Contact the entity's cognizant audit agency to determine if the agency has any concerns or special instructions which need to be taken into consideration in planning and conducting the audit.	_____	_____	_____
d. List local government officials and members of governing body by name and title.	_____	_____	_____
e. Determine types of reports that need to be issued.	_____	_____	_____
f. Determine which governmental units are to be			

	Done By	Date	W/P Ref.
included in the financial statements as a possible component unit of the reporting entity.	_____	_____	_____
g. Determine the extent of involvement of other audit firms and inquire about their independence and professional reputation. Clearly define the responsibilities of each audit firm and which firm is the primary auditor.	_____	_____	_____
h. Review prior year's report and financial statements.	_____	_____	_____
i. Review prior year's working papers and permanent file, particularly the following:			
(1). Internal control questionnaires, memoranda, and related summary evaluation notes.	_____	_____	_____
(2). Engagement time summary records.	_____	_____	_____
(3). Adjusting and reclassification entries.	_____	_____	_____
(4). Audit partner memoranda regarding consultations on accounting and auditing matters.	_____	_____	_____
(5). Suggestions for next audit.	_____	_____	_____
j. Review most recent management letter.	_____	_____	_____
k. Discuss engagement with firm personnel previously assigned and/or responsible for nonaudit services.	_____	_____	_____
l. Review any interim financial statements or reports for current year or, if such statements or reports have not been prepared, scan general ledger (or trial balance), to determine whether amounts and relationships appear reasonable in comparison to prior year.	_____	_____	_____
m. Review client's correspondence file.	_____	_____	_____
n. Obtain copies or abstract minutes of meetings of the governing body and relevant committees.	_____	_____	_____
o. Obtain copy (including all amendments) of client's current budget. (For all funds legally budgeted.)	_____	_____	_____

	Done By	Date	W/P Ref.
p. Obtain current property tax calendar.	_____	_____	_____
q. Obtain a list of all related parties.	_____	_____	_____
r. Make appropriate notations regarding matters to be discussed with audit partner, manager and/or in-charge auditor.	_____	_____	_____
7. Discuss the following (and other appropriate) matters with appropriate client personnel (including the audit committee of the governing body, if applicable):			
a. Changes in operations, including pending/planned changes.	_____	_____	_____
b. Changes in accounting methods or accounting principles applied.	_____	_____	_____
c. Changes in key personnel (accounting and data processing).	_____	_____	_____
d. Significant accounting or reporting problems.	_____	_____	_____
e. Principal findings of internal auditor, if applicable.	_____	_____	_____
f. Changes in data processing methods or equipment.	_____	_____	_____
g. Significant legal matters and contingencies.	_____	_____	_____
h. Disposition of prior year's management letter points.	_____	_____	_____
i. Extent of client assistance to be provided.	_____	_____	_____
j. Timing of preliminary audit work, inventory observation, confirmation procedures, final audit work, etc.	_____	_____	_____
k. Due dates for delivery of report(s).	_____	_____	_____
l. Closing information to be prepared (check applicable items):			
(1). Closing Journal Entries	_____	_____	_____
(2). Post Closing Trial Balance	_____	_____	_____

	Done By	Date	W/P Ref.
(3). Audit Adjusting Entries	_____	_____	_____
(4). Reversing Journal Entries	_____	_____	_____
m. Other Matters (prepare list and attach to program).	_____	_____	_____
n. Make appropriate notations regarding matters to be discussed with audit partner, manager and/or in-charge auditor.	_____	_____	_____
8. Identify material accounting estimates which should be made and recorded by the client.	_____	_____	_____
9. If client has internal audit staff, read reports and related correspondence, and consider possible effect of internal audit work and findings on scope of the examination.	_____	_____	_____
10. Contact oversight agency when applicable, to obtain its perspective on key compliance issues.	_____	_____	_____
11. Obtain an understanding of the effect of laws, regulations, and ordinances having a direct and material effect on the financial statements:			
a. Obtain from management a list of such laws and regulations and attach to audit program;	_____	_____	_____
b. Assess the accuracy and completeness of the list provided by management by considering knowledge obtained from prior audits, discussions with client staff and legal counsel, the review of agreements, the review of minutes, inquiries of audit oversight organizations and grantors, and the review of available information obtained from (state) societies of CPAs or associations of governments. Document the assessment for inclusion in the working papers.	_____	_____	_____
12. Obtain an understanding of the client's internal control structure, including those aspects relating to compliance with the laws and regulations identified above, to assist in the planning of the determination of the nature, timing, and extent of tests to be performed:			
a. Complete questionnaires and prepare flowcharts and/or narrative descriptions relating to the			

	Done By	Date	W/P Ref.
client's policies, procedures, and records relevant to audit planning. Consideration should be given to all three elements of the internal control structure to obtain sufficient knowledge of the design of relevant policies, procedures, and records and to determine whether those policies, procedures, and records have been placed in operation.	_____	_____	_____
b. Assess control risk for financial statement assertions, including those relating to compliance with laws and regulations that have a direct and material effect on the financial statements.			
(1). For each assertion for which control risk is assessed at the maximum, record that conclusion in the working papers.	_____	_____	_____
(2). For each assertion for which a lowering of control risk below the maximum is deemed both feasible and efficient:			
(a). Identify the key policies and procedures which will be subjected to audit tests.	_____	_____	_____
(b). Conduct audit tests to determine how the policies or procedures were applied, the consistency with which they were applied, and by whom they were applied. Working papers relating to the tests should describe the policy or procedure tested, test objectives, sample selection, test criteria, test results, and conclusions concerning the effectiveness of policies or procedures.	_____	_____	_____
(c). Document conclusions in the working papers concerning the assessed level of control risk for the assertion.	_____	_____	_____
13. Perform appropriate analytical procedures and determine effect on the nature, timing, and extent of other audit procedures. For selected account balances and classes of transactions compare recorded amounts to:			
a. Prior year amounts, adjusted for known changes from the prior year to the current year;	_____	_____	_____

	Done By	Date	W/P Ref.
b. Current year amounts to budgeted amounts and/or forecasts;	_____	_____	_____
c. Other financial/nonfinancial information for which plausible relationships exist; and	_____	_____	_____
d. Prepare notes concerning unusual or unexpected transactions, events, amounts, ratios or trends that might have planning ramifications. Also, explain the dispositions made of such matters.	_____	_____	_____
14. Use the understanding obtained of the internal control structure and consider factors influencing audit risk to evaluate the risk of material misstatements arising from errors, irregularities, and/or illegal acts, including the risk of management misrepresentations. Document conclusions in the working papers and their effects on engagement staffing, extent of supervision, and overall strategy for the conduct and scope of audit.	_____	_____	_____
15. Use the information obtained or developed concerning materiality levels, the internal control structure and the related assessments of control risk, the results of analytical procedures, and the evaluation of other factors impacting on audit risk to plan:			
a. The nature, timing, and extent of substantive tests;	_____	_____	_____
b. Staffing requirements and related levels of supervision;	_____	_____	_____
c. The overall strategy for the conduct and scope of audit; and	_____	_____	_____
d. Revisions to the audit program.	_____	_____	_____
16. Estimate time required to complete audit procedures and prepare appropriate planning documents (engagement time summary, scheduling and staffing summary, etc.).	_____	_____	_____
17. Hold a planning conference among the audit partner, manager, and/or in-charge auditor (and firm specialists, if deemed necessary), and:			

	Done By	Date	W/P Ref.
a. Discuss information obtained and results of procedures performed to date based on completion of previous steps.	_____	_____	_____
b. Discuss any special audit risks or client conditions (see Appendix B) deemed to exist.	_____	_____	_____
c. Ascertain that recent accounting/auditing pronouncements affecting the client have been considered.	_____	_____	_____
d. Develop plans to solve known or anticipated accounting/auditing problems.	_____	_____	_____
e. Determine tentative minimum amount for judging materiality of possible past adjustments.	_____	_____	_____
f. Discuss types/general formats of reports to be rendered and planned delivery dates.	_____	_____	_____
g. Discuss possible rotation of certain auditing procedures as well as areas of audit emphasis.	_____	_____	_____
h. Discuss methods to maximize the amount of interim work to be done.	_____	_____	_____
i. Obtain and record audit partner's approval for:			
(1). Technique(s) used to document the internal control structure.	_____	_____	_____
(2). Approach used to audit computer generated records.	_____	_____	_____
(3). Use of statistical sampling methods.	_____	_____	_____
(4). Assessment of audit risk and materiality.	_____	_____	_____
(5). Audit programs.	_____	_____	_____
(6). Time budget and staffing of engagement.	_____	_____	_____
(7). Prepare a memorandum summarizing the results of the planning conference, particularly all decisions reached.	_____	_____	_____
18. Prepare listing of schedules/analyses to be prepared by client (and working paper set-ups, if considered necessary) and deliver to client.	_____	_____	_____

	Done By	Date	W/P Ref.
B. ENGAGEMENT ADMINISTRATION AND SUPERVISION PROCEDURES			
1. Communicate results of planning conference with client and firm personnel to staff persons assigned to the engagement, particularly matters relating to portions of engagement assigned to them.	_____	_____	_____
2. Schedule timing of work to be done on priority basis, assigning top priorities to more significant or problem areas of engagement.	_____	_____	_____
3. Obtain all documents and information required for the permanent file and remove superseded materials for filing in a closed file.	_____	_____	_____
4. Accumulate all points to be included in management letter (or to be communicated verbally to the client).	_____	_____	_____
5. Ascertain that all steps in all audit programs have been considered and/or completed, and that any modifications to the programs resulting from changed conditions have been properly approved.	_____	_____	_____
6. Review financial statements and notes and determine:			
a. The adequacy of evidence gathered in response to unusual or unexpected balances identified during audit planning or audit performance;	_____	_____	_____
b. The existence of unusual or unexpected balances or relationships which have not been evaluated; and	_____	_____	_____
c. Whether additional evidential matter is necessary to explain unexpected differences between reported amounts and expected amounts or relationships.	_____	_____	_____
7. Ascertain that working papers include appropriate memoranda regarding consultations with firm specialists, outside consultations and resolution of differences of opinion, if any, among firm personnel regarding accounting/auditing matters.	_____	_____	_____
8. Determine that differences between the			

	Done By	Date	W/P Ref.
accounting records and the evidential matter gathered during the application of audit procedures have been evaluated as to both their quantitative and qualitative effects.	_____	_____	_____
9. In the event that illegal acts were noted, determine that:			
a. An understanding of the nature of the acts was obtained;	_____	_____	_____
b. The circumstances in which it occurred were evaluated;	_____	_____	_____
c. The effect of the illegal act on the financial statements was considered; and	_____	_____	_____
d. Such other auditing procedures as indicated necessary in the circumstances were performed.	_____	_____	_____
10. Determine that required communications, proper as to form and content, have been made as necessary to disclose irregularities and/or illegal acts noted during the course of the audit.	_____	_____	_____
11. Determine whether the audit work performed indicates that a substantial doubt exists with regard to the local government's ability to continue as a going concern for a reasonable period of time. If a substantial doubt exists:			
a. Obtain information about management's plans, assess the expected effectiveness of the plans, and gather evidence to evaluate pertinent provisions of those plans and to support audit conclusions concerning the local government's ability or inability to continue as a going concern;	_____	_____	_____
b. Evaluate the adequacy of the related financial statement disclosures; and	_____	_____	_____
c. Consider the effects on the audit report.	_____	_____	_____
12. Determine that the following matters have been communicated to those who have responsibility for oversight of the financial reporting process (for example, the audit committee) and include documentation to that effect in the working papers:			

	Done By	Date	W/P Ref.
a. Management's responsibility for the internal control structure and the financial statements;	_____	_____	_____
b. Audit conducted in accordance with GAAS or GAGAS provides reasonable, rather than absolute, assurance;	_____	_____	_____
c. Significant accounting policy implementation or change;	_____	_____	_____
d. Significant unusual transactions and the methods used to account for them;	_____	_____	_____
e. Significant accounting policies relating to controversial or emerging areas for which there is no authoritative guidance or consensus;	_____	_____	_____
f. Processes used by management to develop sensitive accounting estimates and the basis for audit conclusions concerning the reasonableness of those estimates;	_____	_____	_____
g. Significant audit adjustments;	_____	_____	_____
h. The auditor's responsibility for other information in documents containing audited financial statements;	_____	_____	_____
i. Disagreements with management;	_____	_____	_____
j. Consultations by management with other accountants;	_____	_____	_____
k. Major issues discussed with management prior to retention;	_____	_____	_____
l. Difficulties encountered in performing the audit;	_____	_____	_____
m. Irregularities and/or illegal acts;	_____	_____	_____
n. Significant deficiencies in the design or operation of the internal control structure ("reportable conditions"); and,	_____	_____	_____
o. Other matters relevant to oversight responsibilities.	_____	_____	_____

	Done		W/P
	By	Date	Ref.
13. Ascertain that all working papers have been headed, indexed, cross-referenced, initialed, and dated. If they were initially prepared by client, they should be marked "Prepared by Client" or "PBC."	_____	_____	_____
14. Accumulate all pending items in one listing, and dispose of all other follow-up or "TO DO" sheets and any other similar notations in the files.	_____	_____	_____
15. Ascertain that all time has been posted to the daily time control records, and record totals on the engagement time summary. Write explanations for any significant variations between budgeted and actual time.	_____	_____	_____

AICPA Local Governmental Unit

Cash
12/31/89

Done		W/P
By	Date	Ref.

A. AUDIT OBJECTIVES

1. Cash balances as stated in the balance sheet properly represent cash and cash items on hand, in banks, or in transit;
2. Cash is properly classified in the financial statements and adequate disclosure (by segregation or otherwise) is made of restricted or committed funds or of cash not subject to immediate withdrawal and accounts with credit balances;
3. Deposits are properly classified as to credit risk as required by GASB Statement No. 3; and,
4. Applicable accounting principles have been consistently applied.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of cash. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

C. ANALYTICAL PROCEDURES

1. Review the planning procedures applicable to analytical procedures performed on cash and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____

	Done By	Date	W/P Ref.
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____

D. OTHER PROCEDURES

1. Auditing Procedures

- | | | | |
|---|-------|-------|-------|
| a. Where material, count cash on hand, reconcile balances on hand to required amounts and obtain signature of custodian acknowledging return of funds intact. | _____ | _____ | _____ |
| b. Confirm year-end balances by direct correspondence with the banks for all bank accounts that were open during any part of the year, and obtain list of authorized check signers for permanent file. | _____ | _____ | _____ |
| c. Obtain copies of client's bank reconciliations at the end of the year. | _____ | _____ | _____ |
| d. Substantiate reconciling items as follows: | | | |
| (1). Whenever audit work is performed prior to the client receiving the bank statement, or whenever otherwise deemed appropriate, obtain directly from the bank, bank cutoff statements and related supporting documents. | _____ | _____ | _____ |
| (2). Trace deposits in transit to subsequent bank statements <u>and</u> to cash receipts records. Examine the receipted deposit slip to determine whether the funds were deposited on, or prior to, the balance sheet date and whether there was any extraordinary delay between the date received per books and date deposited per bank. | _____ | _____ | _____ |
| (3). Test checks dated on or before balance sheet date but clearing after the balance sheet date to determine that they appear on the list of outstanding checks. | _____ | _____ | _____ |
| (4). Compare checks listed on the list of outstanding checks in excess of \$_____, | | | |

	Done By	Date	W/P Ref.
including both those that have been subsequently paid and those that have not been paid, to the cash disbursements records as to amount.	_____	_____	_____
(5). Investigate the date of issuance for any large checks not cleared in the month following year-end. For those checks actually issued after the balance sheet date, record audit adjustments.	_____	_____	_____
(6). Trace any significant transfers between banks or accounts of a bank (including investment accounts) near year-end to verify both transactions have been recorded in the same accounting period.	_____	_____	_____
(7). Investigate any remaining significant reconciling items not covered above.	_____	_____	_____
e. Prepare proof(s) of cash for appropriate time periods. Substantiate any deposits in transit as outlined in d(2) for all periods in which a proof of cash was prepared.	_____	_____	_____
f. Consider reversing old outstanding checks. (Investigate those over \$_____.)	_____	_____	_____
g. Review receipts, etc., issued shortly before and shortly after year-end to determine that all cash collected has been recorded in the proper period.	_____	_____	_____
h. Obtain copies of all collateral agreements the local government has with depositories and consider confirming the collateral with the bank or agency holding the collateral securities. Determine if the collateral complies with legal requirements and if the market value is adequate to secure the funds on deposit.	_____	_____	_____
i. Test collateralization throughout the year to determine its adequacy. Note instances in which the local government's uncollateralized deposits during the period significantly exceeded that category of credit risk at balance sheet date.	_____	_____	_____
j. Determine if deposits at any time during the			

	Done By	Date	W/P Ref.
year materially exceeded amounts on deposit as of the end of the year. Determine reasons for significant fluctuations (check here if reason is due to normal fluctuating cash flow requirements _____).	_____	_____	_____
k. Identify which individual funds are required by law or other contractual agreement to maintain separate bank accounts and ascertain that separate bank accounts are maintained and note any withdrawal restrictions or other commitments which may exist.	_____	_____	_____
l. Review client's classifications as to credit risk for footnote disclosure.	_____	_____	_____
m. Make appropriate notations regarding matters to be discussed with audit partner, manager, and/or in-charge auditor.	_____	_____	_____
E. OVERALL CONCLUSIONS			
1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
a. Cash balances as stated in balance sheet properly represent cash and cash items on hand, in banks or in transit;	_____	_____	_____
b. Cash is properly classified in the financial statements and adequate disclosure (by segregation or otherwise) is made of restricted or committed funds and of cash not subject to immediate withdrawal and accounts with credit balances;	_____	_____	_____
c. Deposits are properly classified as to credit risk as required by GASB Statement No. 3; and,	_____	_____	_____
d. Applicable accounting principles have been consistently applied;			
Except as follows:			

AICPA Local Governmental Unit

Investments

12/31/89

Done		W/P
By	Date	Ref.

A. AUDIT OBJECTIVES

1. The physical evidence of ownership of investments reported in the financial statements (stock certificates, bonds, notes, etc.) are on hand or held in custody or safekeeping by others for account of the client;
2. The basis on which the investments are stated is in accordance with generally accepted accounting principles, consistently applied;
3. Income from investments has been accounted for properly;
4. Investments and the related income are properly classified and described in the financial statements;
5. Adequate disclosure has been made of the pledging of any investments and credit risks are properly disclosed as required by GASB Statement No. 3;
6. Investments are made in accordance with state and local laws and regulations; and,
7. Applicable accounting principles have been consistently applied.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusion resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of investments. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with the assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

	Done By	Date	W/P Ref.
C. ANALYTICAL PROCEDURES			
1. Review the planning procedures applicable to analytical procedures performed on investments and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
D. OTHER AUDITING PROCEDURES			
1. Obtain an understanding of state and local investment laws and regulations.	_____	_____	_____
2. Obtain a list of investments owned showing location and identify ownership by fund.	_____	_____	_____
3. Confirm or examine each security and compare with the list. Determine that the beginning and ending serial numbers are the same for all securities where there is no activity during the year.	_____	_____	_____
4. Mail confirmations on securities held by others.	_____	_____	_____
5. Verify all changes between date of physical inspection and date of balance sheet.	_____	_____	_____
6. Test accrued interest to balance sheet date.	_____	_____	_____
7. Test amortization of premiums (or discount) paid, where applicable.	_____	_____	_____
8. Verify collections of interest.	_____	_____	_____
9. Obtain market values at balance sheet date and value of collateral and investigate significant differences from recorded values to determine if any write-downs are necessary.	_____	_____	_____

	Done By	Date	W/P Ref.
10. Test investment transactions during the year to determine that investments are in accordance with statutory requirements (if applicable).	_____	_____	_____
11. Test interest revenue accounts in the various funds and reconcile interest income to the investment transactions.	_____	_____	_____
12. Select investment transactions, test the income thereon and trace to amounts recorded in the various funds.	_____	_____	_____
13. Verify that all investments and related income were applied to the proper fund of ownership.	_____	_____	_____
14. Review GASB Statement No. 3 disclosures:			
a. Any significant violations of state statutes, local charters, resolutions or ordinances, grant regulation, or internal policies in the investment of local funds.	_____	_____	_____
b. Determine whether basis of valuation (e.g., cost, market value, or lower of cost or market value) is in accordance with GAAP, and that appropriate allowances and/or write-downs have been provided. (Especially treasury bills.)	_____	_____	_____
c. Any commitments at the balance sheet date to resell securities under yield maintenance repurchase agreements. Yes _____ No _____	_____	_____	_____
d. Determine types of investments made during the year but not owned as of the balance sheet date. For example: _____ State Investment Pool _____ Repurchase Agreement _____ Federal Securities _____ Other	_____	_____	_____
e. Any reverse repurchase agreements used during the year. If yes, See GASB Statement No. 3. Yes _____ No _____	_____	_____	_____
15. Review client's classification of investments as to credit risk for footnote disclosure.	_____	_____	_____
16. Review client's disclosures under GASB Statement No. 3 for overall adequacy.	_____	_____	_____

	Done By	Date	W/P Ref.
17. Make appropriate notations regarding matters to be discussed with audit partner, manager, and/or in-charge auditor.	_____	_____	_____
18. Review minutes of governing body or investment committee for approval of transactions.	_____	_____	_____
19. Review for unusual transactions (high risk or churning).	_____	_____	_____
20. Review management's intended holding period and liquidity requirements in the case of a decline in market value.	_____	_____	_____
21. Concerning repurchase agreements:			
a. Review terms of outstanding repurchase commitments. Terms should include the types and coupon rate of collateral and the repurchase date and prices.	_____	_____	_____
b. Consider reputation and reliability of collateral holders. Those holders should be bank or trust companies that are independent of the broker-dealer arranging the transaction and that specialize in providing safekeeping services.	_____	_____	_____
c. Review the reputation and financial position of broker-dealers or other parties to the transaction.	_____	_____	_____
d. Consider the financial credibility and legal responsibility of any company or agency that is insuring completion of the transaction.	_____	_____	_____
e. Review broker's advices and other documentation regarding the completion of the repurchase transaction during the period following the balance sheet date.	_____	_____	_____
f. Review and evaluate internal audit procedures covering repurchase agreement activities.	_____	_____	_____
22. If the client is a buyer/lender (and surrendered possession of the securities):			
a. Examine securities held or request confirmation of securities held in safekeeping and determine who holds legal title to the			

	Done By	Date	W/P Ref.
securities.	_____	_____	_____
b. If custodian is of uncertain or questionable reputation and reliability, obtain third party review or perform procedures concerning controls over the safekeeping of the security of the custodian.	_____	_____	_____
c. Test collateral value of securities.	_____	_____	_____
E. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. The physical evidence of ownership of investments reported in the financial statements (stock certificates, bonds, notes, etc.) are on hand or held in custody or safekeeping by others for account of the client;	_____	_____	_____
2. The basis on which the investments are stated is in accordance with generally accepted accounting principles, consistently applied;	_____	_____	_____
3. Income from investments has been accounted for properly;	_____	_____	_____
4. Investments and the related income are properly classified and described in the financial statements;	_____	_____	_____
5. Adequate disclosure has been made of the pledging or hypothecation of any investments and credit risks are properly disclosed as required by GASB Statement No. 3;	_____	_____	_____
6. Investments are made in accordance with state and local laws and regulations; and	_____	_____	_____
7. Applicable accounting principles have been consistently applied;	_____	_____	_____
Except as follows:	_____	_____	_____

AICPA Local Governmental Unit

Revenue and Receivables
12/31/89

Done W/P
By Date Ref.

A. AUDIT OBJECTIVES

The objectives of auditing procedures for revenue and receivables are to provide evidential matter that is sufficient and competent to provide reasonable assurance that:

1. Revenue accounts and related income and expense accounts include all transactions that relate to the period;
2. Receivables are authentic and probably collectible;
3. Judgments on which valuations, allowances and deferred revenue are arrived at rationally and responsibly;
4. Descriptions, classifications, and related disclosures are adequate and not misleading;
5. All loss contingencies related to revenue are identified and reported or disclosed; and
6. Applicable accounting principles have been applied consistently.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of revenue and receivables. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

C. ANALYTICAL PROCEDURES

	Done By	Date	W/P Ref.
1. Review the planning procedures applicable to analytical procedures performed on revenue and receivables and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
D. OTHER AUDITING PROCEDURES - REVENUES			
1. General property taxes.			
a. Determine that the appropriate tax was properly levied.	_____	_____	_____
(1). Determine that property assessments have been made in compliance with laws.	_____	_____	_____
(2). Determine that property tax rates are in compliance with laws.	_____	_____	_____
(3). Determine that appropriate tax status (e.g., tax-exempt, commercial) has been applied.	_____	_____	_____
b. Confirm current tax settlements and trace tax distribution into funds.	_____	_____	_____
c. Determine that tax allocations among funds are in accordance with original levy.	_____	_____	_____
d. Confirm amounts of special or supplemental tax distributions and trace into proper funds, relating to:			
(1). Back taxes collected.	_____	_____	_____
(2). Tax objections overruled.	_____	_____	_____
e. Compute adjustments to allowance for uncollectibles and/or deferred revenue accounts.	_____	_____	_____

	Done By	Date	W/P Ref.
f. Determine that property tax sales were properly authorized for nonpayment of taxes and the major receipts were properly recorded on a timely basis.	_____	_____	_____
g. Determine that taxing policies and procedures are properly disclosed in the notes to the financial statements.	_____	_____	_____
h. Determine that all properties are included in the tax roll.	_____	_____	_____
2. Sales, income, or other taxes.			
a. Review the methods used by the local government to reasonably assure that all taxes due have been remitted (for example, systems providing for the cross-referencing of returns to a data base showing prior returns, registered corporations, etc.)	_____	_____	_____
b. Determine that proper accruals have been made to record sales, income, or other taxes held by other governments at fiscal year end.	_____	_____	_____
c. Evaluate the reasonableness of amounts estimated for income taxes receivable and/or refunds payable.	_____	_____	_____
d. Select a sample of returns and verify that the tax liability was computed in accordance with governing laws and regulations and that related payments were deposited and properly recorded in the accounting records.	_____	_____	_____
e. Test year-end cutoff of recording self-assessed taxes.	_____	_____	_____
3. Revenue from federal, state and county agencies.			
a. Confirm revenue received from federal, state and county agencies directly with the appropriate agency.	_____	_____	_____
b. Determine that grant revenues earned based on expenditures are properly accrued.	_____	_____	_____
c. Review significant grant applications and related monitoring and grant reports.	_____	_____	_____

	Done By	Date	W/P Ref.
d. Review minutes of legislative proceedings to identify grants received and their restrictions.	_____	_____	_____
e. Review monitoring procedures used by management.	_____	_____	_____
4. Licenses and permits.			
a. Determine licenses and permits in effect and rates set by ordinance.	_____	_____	_____
(1). On a test basis, trace collections from persons or businesses ordinarily required to pay fees to accounting records.	_____	_____	_____
b. Trace cash entries from license and permit stub books to cash receipts records on a test basis.	_____	_____	_____
c. Compare licenses and permit revenue by totals to previous year and explain any material variation.	_____	_____	_____
d. Reconcile inventories of licenses and permits to revenues where appropriate.	_____	_____	_____
e. Review applications or renewal bills for proper charge, and trace collections to accounting records.	_____	_____	_____
5. Franchise fees.			
a. Review franchise ordinances and compare fees as indicated therein with amounts received.	_____	_____	_____
6. Fines.			
a. Review client's procedures for accounting for arrest tickets and determine that tickets are being properly disposed of through the collection of cash or authorized dismissal.	_____	_____	_____
b. Verify collection of fines.	_____	_____	_____
c. Compare fine revenue by totals to previous years and explain any material variation.	_____	_____	_____
d. Determine that fines are distributed in accordance with governing regulations.	_____	_____	_____

	Done By	Date	W/P Ref.
7. Utility or other enterprise revenues.			
a. The accountant should audit enterprise revenues in the same manner as that of commercial enterprise revenues in which accounts receivable are present.	_____	_____	_____
b. Examine rate schedules and authorization for charges.	_____	_____	_____
c. Where charges are based on variable quantities or volume of usage, test records of usage such as meter reader reports.	_____	_____	_____
d. Test computations of billings for a selected period, watching to see that authorized rates are in use, especially for local government officials and employees.	_____	_____	_____
e. Trace collections for a selected period into the accounts receivable subledger and cash receipts.	_____	_____	_____
f. Determine reasonableness of enterprise revenues when compared to records showing the production of goods or services.	_____	_____	_____
8. Sale of property and equipment.			
a. Review minutes of corporate body for authority to sell property and equipment.	_____	_____	_____
b. Trace sale proceeds to cash receipts records.	_____	_____	_____
c. Determine that major dispositions have been removed from the property and equipment records.	_____	_____	_____
d. Determine that proceeds are credited to the proper fund as required by law and that any receivables are properly classified.	_____	_____	_____
9. Rentals of property and equipment.			
a. Examine authorizing laws and regulations, schedules, contracts, leases and other documents governing the use of public property by others.	_____	_____	_____
b. On a test basis, compare the amounts of billings against terms of rental agreements.	_____	_____	_____

	Done By	Date	W/P Ref.
c. Trace collections into cash receipts for selected periods.	_____	_____	_____
10. Special assessments.			
a. Trace collections of assessments, interest and penalties into cash receipts for selected periods.	_____	_____	_____
b. Trace the public benefit portion of all assessments into the public benefit fund and/or debt service fund.	_____	_____	_____
c. On an overall basis determine that collections are being accounted for in the proper assessment roll.	_____	_____	_____
11. Interfund transfers.			
a. Obtain or prepare a schedule of transfers between funds.	_____	_____	_____
b. Determine authorizations and amount of such transfers by review of the budget or minutes of the client's governing body.	_____	_____	_____
c. Determine that all transfers are properly classified as operating or equity and reported accordingly in the financial statements.	_____	_____	_____
12. Other revenues.			
a. Schedule any other revenue accounts of material amount and perform audit procedures determined necessary.	_____	_____	_____
b. Review estimate of unbilled revenues and compare to subsequent billings.	_____	_____	_____
E. OTHER AUDITING PROCEDURES - RECEIVABLES			
1. Property taxes receivable.			
a. Examine or obtain by confirmation the following:			
(1). Assessed valuation for the tax levy year under review.	_____	_____	_____
(2). Tax rates and tax extensions by fund.	_____	_____	_____

	Done By	Date	W/P Ref.
(3). A listing by dates of property taxes distributed to the local government.	_____	_____	_____
b. Trace property tax levies and remittances to the various funds to determine that revenues were properly allocated to the appropriate funds in accordance with governing laws and regulations.	_____	_____	_____
c. Where the local government records property tax remittances on the cash basis of accounting, determine at the end of the fiscal year that such revenue has been applied to the respective property tax receivable accounts, by tax levy years.	_____	_____	_____
d. Determine that the current tax levies, by funds, have been journalized to reflect the levy as a property tax receivable, and the credit to a revenue line item.	_____	_____	_____
e. Review the tax rates, by funds, to determine that they do not exceed statutory limits.	_____	_____	_____
f. Review the tax extensions as computed by the county, and compare with the client's tax-levy ordinance.	_____	_____	_____
g. Review the adequacy of the provision for uncollectible taxes based on prior collection experience.	_____	_____	_____
2. Interfund accounts.			
a. Obtain a schedule of all interfund and intrafund account balances.	_____	_____	_____
b. Determine that they are in reciprocal balance.	_____	_____	_____
c. Review minutes of local government and appropriate bond ordinances for authorization of interfund activity.	_____	_____	_____
d. Trace interfund transactions between funds and to underlying documentation.	_____	_____	_____
e. Review ending balances of accounts as to:			
(1). Aging of balances.	_____	_____	_____

	Done By	Date	W/P Ref.
(2). Reason for transactions.	_____	_____	_____
(3). Method of liquidation anticipated.	_____	_____	_____
(4). Proper reporting classification.	_____	_____	_____
(5). Collectibility.	_____	_____	_____
3. Special assessments receivable.			
a. Obtain a list of all assessments receivable balances and compare the total of these balances to the general ledger control accounts.	_____	_____	_____
b. Verify on a test basis that the calculations for the installments receivables are correct.	_____	_____	_____
c. Determine on a test basis that the proper amount of interest has been charged to outstanding assessment installments.	_____	_____	_____
d. Consider confirmation of unpaid assessment balances directly with property owners, especially significant or old balances.	_____	_____	_____
e. Trace the deferred public benefit portion into the long-term debt account group.	_____	_____	_____
f. Review all adjustments to the accounts for authority.	_____	_____	_____
g. Inquire as to any pending legal suits regarding bonds or vouchers.	_____	_____	_____
4. Other receivables.			
a. Obtain a list of each type of receivable, such as from other governmental units or others:			
(1). Sales taxes.	_____	_____	_____
(2). State income taxes.	_____	_____	_____
(3). Utility taxes.	_____	_____	_____
(4). Court fines.	_____	_____	_____
(5). Grants.	_____	_____	_____

	Done By	Date	W/P Ref.
(6). Motor fuel tax.	_____	_____	_____
(7). All other (employees, suppliers, citizens, etc.).	_____	_____	_____
b. Obtain an aged listing of accounts receivable. Test the accuracy of the listing.	_____	_____	_____
c. Reconcile balance with general ledger.	_____	_____	_____
d. Consider confirmation by mail of individual accounts with large balances.	_____	_____	_____
e. Obtain or list subsequent collections of past due items to date of examination.	_____	_____	_____
f. Review uncollectible accounts written off for authority and propriety.	_____	_____	_____
g. Review uncollectibility of accounts with responsible personnel and determine proper allowance is established for possible uncollectible accounts.	_____	_____	_____
h. Review all large credits issued during the year.	_____	_____	_____
i. Cross check between the receivable account and the related revenue account.	_____	_____	_____
F. OTHER AUDITING PROCEDURES - CASH RECEIPTS			
1. Foot and cross-foot cash journal for a selected period and trace totals to ledger accounts.	_____	_____	_____
2. See that cash receipts are deposited intact and timely up to the date the audit is made, or for a selected sample thereof, that is, that each day's deposits is equal to the previous day's receipts.	_____	_____	_____
G. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. Revenue accounts and related income and expense accounts include all transactions that relate to the period;	_____	_____	_____

	Done By	Date	W/P Ref.
2. Receivables are authentic, properly classified, and probably collectible;	_____	_____	_____
3. Judgments on which valuations, allowances and deferred revenue are based are arrived at rationally and responsibly;	_____	_____	_____
4. Descriptions, classifications and related disclosures are adequate and not misleading;	_____	_____	_____
5. All loss contingencies related to the revenue cycle are identified and recorded or disclosed; and,	_____	_____	_____
6. Applicable accounting principles have been consistently applied.	_____	_____	_____

AICPA Local Governmental Unit
Expenditures, Expenses, And Payables
12/31/89

Done W/P
By Date Ref.

A. AUDIT OBJECTIVES

1. Expenditure/expense accounts include all costs and expenses applicable to the period and all losses and estimated future expenses that should be reflected in the period, and that classification is consistent with the accounting system and generally accepted accounting principles;
2. Accounts payable are properly authorized, represent the correct amounts of currently payable items and reflect all outstanding obligations;
3. Prepaid and accrued accounts are properly stated;
4. Account descriptions, classifications and related disclosures are adequate and not misleading;
5. All loss contingencies are identified and recorded or disclosed; and,
6. Legal requirements relating to purchasing, payrolls, and disbursements have been complied with.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of expenditures. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

	Done By	Date	W/P Ref.
C. ANALYTICAL PROCEDURES			
1. Review the planning procedures applicable to analytical procedures performed on expenditures of cash and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
D. OTHER AUDITING PROCEDURES - EXPENDITURES/EXPENSES			
1. General - For selected expenditures/expenses (excluding payroll expenditures), perform the following procedures:			
a. Examine supporting documents and compare to disbursement records.	_____	_____	_____
(1). Note authorization for disbursement and approval of supporting document.	_____	_____	_____
(2). Note data supporting invoice such as purchase order and receiving report.	_____	_____	_____
(3). Note evidence of check of clerical accuracy.	_____	_____	_____
(4). Note cancellation of document.	_____	_____	_____
(5). Note duplicate payment of billing whole or in part.	_____	_____	_____
(6). Note that payment of bill when entered on disbursement or purchase record was charged to proper expenditure and appropriation account or reserve for encumbrances.	_____	_____	_____
(7). Note that appropriation balance was sufficient to receive charge for expenditures.	_____	_____	_____

	Done By	Date	W/P Ref.
(8). Note authorized check signer.	_____	_____	_____
(9). Note that discounts were taken when offered.	_____	_____	_____
(10). Note that purchase was recorded in the period received.	_____	_____	_____
2. Disbursements.			
a. Observe control over blank checks.	_____	_____	_____
b. Review disbursements journal for period under audit for unusual items.	_____	_____	_____
3. Appropriations.			
a. Determine that reported budget amounts are supported by original adopted appropriations adjusted for properly authorized budget amendments.	_____	_____	_____
b. Examine budget for the year under audit and determine if related expenditures plus encumbrances are within the appropriations.	_____	_____	_____
c. Determine if the appropriation ordinances comply with governing legal provisions and relate directly to tax levy ordinances.	_____	_____	_____
4. Purchases.			
a. Review the applicable ordinance or regulation setting forth the procedure for making purchases, and determine that selected purchases were made or awarded in accordance with these regulations. Bid files should be examined on a test basis for those purchases for which competitive bids are required.	_____	_____	_____
b. Check invoice for correct price and accuracy of mathematics.	_____	_____	_____
c. Compare purchase order, receiving report and invoice.	_____	_____	_____
d. Note purchases from local government officials or employees.	_____	_____	_____
5. Payrolls - For selected payroll disbursements, perform the following procedures:			

	Done By	Date	W/P Ref.
a. Compare the rates of pay shown on the individual payroll records and on the payroll summaries with the salary and appropriation ordinances.	_____	_____	_____
b. Examine time cards for approval.	_____	_____	_____
c. Determine that payroll amounts on the payroll record are charged to proper appropriation account and that amounts are recorded on individual payroll records.	_____	_____	_____
d. Distribute the payroll checks for any pay period, maintaining control over unclaimed checks until all have been claimed by authorized personnel.	_____	_____	_____
e. Compare payroll amounts with timekeeping or attendance records.	_____	_____	_____
f. Pay special attention to endorsements on payroll checks, noting especially those checks cashed by any department of the local government and investigate thoroughly.	_____	_____	_____
g. Verify payment of the various payroll deductions to the proper authority.	_____	_____	_____
h. For selected employees, verify that appropriate entries were made to the client's leave records.	_____	_____	_____
i. Determine if client has a deferred compensation plan. If a plan exists, obtain required information for agency fund and footnote disclosure.	_____	_____	_____
j. Determine if local government pays post-retirement health care or life insurance costs. Obtain description of policies and related costs for current year.	_____	_____	_____
6. Other payroll.			
a. Review for retroactive pay increases, large overtime payments, and other unusual compensation arrangements.	_____	_____	_____
b. Review pay rates for compliance with policies or labor contract provisions.	_____	_____	_____

	Done By	Date	W/P Ref.
7. Bond and interest expenditures/expenses.			
a. Examine bond ordinances and tax levies for retirement of bonds and interest provisions and other material requirements and test compliance therewith.	_____	_____	_____
(1). Prepare a statement of general bonded debt to determine that taxes to be received in the future will be adequate to retire all bonds and meet interest payments due.	_____	_____	_____
b. Examine cancelled bonds and interest coupons making sure that all are properly cancelled, and reconcile to payments made.	_____	_____	_____
c. If bonds are registered, confirm with paying agents the receipt of advances shown as having been made by the local government and also the bonds and interest coupons paid and cancelled by paying agency during the year.	_____	_____	_____
(1). Schedule the cash transactions carried on by paying agent's office and make a part of working papers.	_____	_____	_____
8. Construction and improvement expenditures.			
a. Check the minutes for action taken by the governing board pertaining to construction or bond ordinances where applicable.	_____	_____	_____
b. Where federal, state or local government monies are used, check any regulatory laws or regulations issued by that governmental authority.	_____	_____	_____
c. Determine that amounts paid are in accordance with the terms of contracts.	_____	_____	_____
d. Ascertain that amounts of contracts payable which are due but unpaid.	_____	_____	_____
e. Review bids, contracts, partial payments, changes in orders, etc., in connection with major construction.	_____	_____	_____
f. Note purchases from local government officials or employees.	_____	_____	_____

	Done By	Date	W/P Ref.
g. Trace in-house construction work orders to closing and transfer to GFAAG.	_____	_____	_____
9. Trust and agency fund expenditures and disbursements.			
a. Trace collections into trust and agency funds of the local government on a test basis.	_____	_____	_____
b. Note and examine the properly filed reports supporting payments to other governmental agencies.	_____	_____	_____
c. For client employee retirement contributions, in addition to the steps noted above, confirm the amount of the local government's actuarial liability to that organization. Also, for any pension funds compute statutory liability.	_____	_____	_____
10. Other expenditures/expenses.			
a. Determine that expenditures/expenses made by or on behalf of key officers are reasonable.	_____	_____	_____
b. Schedule any other expenditure and/or expense accounts of material amount and perform audit procedures determined necessary.	_____	_____	_____
E. OTHER AUDITING PROCEDURES - LIABILITIES			
1. Accounts or vouchers payable and encumbrances.			
a. Obtain schedule of accounts payable and encumbrances at end of audit period. Consider confirmation of large accounts payable balances and trace encumbrances to unfilled purchase orders.	_____	_____	_____
b. Reconcile detail of liabilities to general ledger accounts.	_____	_____	_____
c. For selected entries in accounts payable examine underlying documentation.	_____	_____	_____
d. Examine invoices received and payments made subsequent to year-end on a test basis to determine if any should be included in period being audited.	_____	_____	_____
e. Ascertain nature and extent of unencumbered purchase commitments at year end.	_____	_____	_____

	Done By	Date	W/P Ref.
2. Deposits.			
a. Obtain and reconcile detailed records to general ledger.	_____	_____	_____
b. Confirm balances on a test basis.	_____	_____	_____
c. If interest is paid, test payments made of interest or interest accrued as of end of period being audited.	_____	_____	_____
d. Review the provisions of any related ordinances and test for compliance.	_____	_____	_____
e. Determine whether deposits are refundable in full or part.	_____	_____	_____
f. Determine whether records of "bid" or "good faith" deposits are made.	_____	_____	_____
3. Taxes levied or collected for other units of government.			
a. Verify collections, payments and balances on hand and collected balances due other units.	_____	_____	_____
b. Determine that such items are recorded as liabilities to others.	_____	_____	_____
4. Accrued salaries and wages.			
a. If the client accrues salaries and wages and payroll taxes, the accuracy of such accruals should be verified. (Do accruals relate to budget provisions?)	_____	_____	_____
5. Taxes or fees collected in advance.			
a. If taxes, licenses or fees have been collected in advance, they should be recorded as deferred revenue. Verify these amounts with reference to supporting documents and consider confirmation of amounts.	_____	_____	_____
b. Set up as a liability, duplicate tax or fee collection not disposed of.	_____	_____	_____
c. Trace disposition of items recorded at beginning of period.	_____	_____	_____

	Done By	Date	W/P Ref.
6. Compensated absences.			
a. Obtain the local government's personnel policies and procedures and review the provisions relating to the accrual and payment of compensated absences.	_____	_____	_____
b. Obtain the schedule prepared by the local government to compute the liabilities for compensated absences and determine by appropriate tests that:			
(1). The schedule is arithmetically correct;	_____	_____	_____
(2). All qualifying employees are included and that all employees included on the schedule are qualified;	_____	_____	_____
(3). Appropriate salary and benefit rates are applied;	_____	_____	_____
(4). Leave balances shown by the schedule are consistent with selected employee leave records; and	_____	_____	_____
(5). The schedule is correct as to the employing fund.	_____	_____	_____
c. Determine that the current and long-term portions of the liability have been recorded in accordance with GASB Codification section C60.	_____	_____	_____
7. Review client's file concerning litigation, including attorney's invoices received during and after the period under audit.	_____	_____	_____
8. Inquire as to material commitments to purchase or construct property, equipment, etc.	_____	_____	_____
F. OTHER AUDITING PROCEDURES - PREPAID ITEMS			
1. Summarize the type and amount of other assets and prepaid items such as:			
a. Unexpired insurance.	_____	_____	_____
b. Prepaid rent.	_____	_____	_____
c. Supplies inventories.	_____	_____	_____

	Done By	Date	W/P Ref.
d. Advances.	_____	_____	_____
e. Unamortized expense.	_____	_____	_____
f. Deposits.	_____	_____	_____
g. Other (itemize).	_____	_____	_____
2. Ascertain propriety of amounts by review of calculations, supporting documents, related expense accounts, etc.	_____	_____	_____
3. Confirm when considered necessary.	_____	_____	_____
G. OTHER AUDITING PROCEDURES - CASH DISBURSEMENTS			
1. Foot and cross-foot cash journals for a selected period and trace totals to ledger accounts.	_____	_____	_____
2. Account for all checks issued or voided.	_____	_____	_____
3. Examine checks issued during period being audited or for a selected sample thereof, for the following:			
a. Entry to cash disbursement's records as to number, date, payee and amount.	_____	_____	_____
b. Authorization of governing body for issuance.	_____	_____	_____
c. Check signers and cosigners.	_____	_____	_____
d. Inspect endorsements and signatures.	_____	_____	_____
H. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. Expenditure/expense accounts include all costs and expenses applicable to the period and all losses and estimated future expenses that should be reflected in the period and that classification is consistent with the accounting system and generally accepted accounting principles;	_____	_____	_____
2. Accounts payable are properly authorized, represent the correct amounts of currently payable items and reflect all outstanding obligations;	_____	_____	_____

	Done By	Date	W/P Ref.
3. Prepaid and accrued accounts are properly stated;	_____	_____	_____
4. Account descriptions, classifications and related disclosures are adequate and not misleading;	_____	_____	_____
5. All loss contingencies are identified and recorded or disclosed; and,	_____	_____	_____
6. Legal requirements relating to purchasing, payrolls, and disbursements have been complied with;			
Except as follows:			

AICPA Local Governmental Unit

Inventories

12/31/89

Done	W/P
By	Date Ref.

A. AUDIT OBJECTIVES

Provide evidential matter that is sufficient and competent to provide reasonable assurance that:

1. Inventories physically exist, in good condition, unencumbered by pledge or lien;
2. The accounts reflect all inventory held for use in the ordinary course of operations;
3. Estimates of realizable value are carefully and consistently made.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of inventories. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

C. ANALYTICAL PROCEDURES

1. Review the planning procedures applicable to analytical procedures performed on inventory and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of

	Done By	Date	W/P Ref.
the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
D. OTHER AUDITING PROCEDURES			
1. Observe the taking of physical inventories and make test counts of various items. Record quantities and description of items selected for test counts.	_____	_____	_____
2. Ascertain that obsolete and damaged stock has been appropriately identified and valued.	_____	_____	_____
3. Ascertain that proper cut-off is effected with respect to purchases and consumption.	_____	_____	_____
4. Trace quantities and descriptions per audit test counts into final inventory sheets.	_____	_____	_____
5. Test clerical accuracy of inventories as to:			
a. Unit prices.	_____	_____	_____
b. Extensions.	_____	_____	_____
c. Footings.	_____	_____	_____
d. Totals to summaries.	_____	_____	_____
6. Select several items included in the inventory test counts and verify prices to determine that the inventory has been consistently valued.	_____	_____	_____
7. Compare the dollar amount of inventory by fund to prior periods and investigate any material fluctuations considering the reasonableness of the change in relation to the expected change.	_____	_____	_____
8. Compute and analyze turnover rates for significant inventories.	_____	_____	_____
9. Make appropriate notations regarding matters to be discussed with audit partner, manager, and/or in-charge auditor.	_____	_____	_____
E. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and			

	Done By	Date	W/P Ref.
competent evidential matter to provide reasonable assurance that:			
1. Inventories physically exist, in good condition, unencumbered by pledge or lien;	_____	_____	_____
2. The accounts reflect all inventory held for use in the ordinary course of operations;	_____	_____	_____
3. Cost of inventory items is measured in accordance with generally accepted accounting principles, consistently applied; and	_____	_____	_____
4. Estimates of realizable value are carefully and consistently made;			

Except as follows:

_____	_____	_____	_____

AICPA Local Governmental Unit

Property
12/31/89

Done W/P
By Date Ref.

A. AUDIT OBJECTIVES

Provide evidential matter that is sufficient and competent to provide reasonable assurance that:

1. The property represented by the account exists, is owned by the local government, and is unencumbered except as indicated;
2. Additions have been properly recorded, are recorded at the proper amount and are authentic;
3. The cost or other basis of recording property is in accordance with generally accepted accounting principles;
4. Accounting for the use and disposition of property is consistent from period to period and is in accordance with generally accepted accounting principles; and,
5. The control over general fixed assets has properly been established.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of property. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

C. ANALYTICAL PROCEDURES

1. Review the planning procedures applicable to analytical procedures performed on property and consider the result of the procedures in

	Done By	Date	W/P Ref.
determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
D. OTHER AUDITING PROCEDURES			
1. When detailed records are maintained, the auditor should test to ascertain that items are on hand by physical inspection and that the detailed property records are in agreement with the appropriate control accounts.	_____	_____	_____
2. Select a sample of property items and trace to detailed property records to verify that all property has been recorded.	_____	_____	_____
3. Examine invoices or other documentation for additions to the fixed assets during the period. Determine if the additions have been authorized, classified in the accounts correctly and added to the property records. Determine capitalization policy regarding amounts.	_____	_____	_____
4. Test to determine that disposals were authorized and properly recorded in the property records and trace proceeds into the record of cash receipts or receivables.	_____	_____	_____
5. For construction work-in-progress, obtain or prepare an analysis by project, test mathematical accuracy, examine documentary support for major additions, test transfers to permanent assets at end of year. Consider confirming status of construction contracts with contractors.	_____	_____	_____
6. Review insurance policies to determine if property and equipment coverage is adequate.	_____	_____	_____

	Done By	Date	W/P Ref.
7. Test that all major repairs, additions and replacements have been authorized by the governing body; if legally required.	_____	_____	_____
8. Review allowances for depreciation if the local government maintains such records (most local governments do not keep such records, except where an Enterprise Fund or Internal Service Fund is involved).	_____	_____	_____
9. Examine deeds on newly acquired real estate and inquire into status of records for deeds on property acquired in prior periods.	_____	_____	_____
10. Make appropriate notations regarding matters to be discussed with audit partner, manager, and/or in-charge auditor.	_____	_____	_____
11. Observe physical safeguards.	_____	_____	_____
E. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. The property represented by the accounts exists, is owned by the local government and is unencumbered except as indicated;	_____	_____	_____
2. Additions are properly recorded, are recorded at the proper amount, and are authentic;	_____	_____	_____
3. The cost or other basis of recording property is in accordance with generally accepted accounting principles;	_____	_____	_____
4. Accounting for the use and disposition of property is consistent from period to period and in accordance with the generally accepted accounting principles; and,	_____	_____	_____
5. The control over general fixed assets has been properly established.	_____	_____	_____

AICPA Local Governmental Unit
Financing (Including Equity Accounts)
12/31/89

Done W/P
By Date Ref.

A. AUDIT OBJECTIVES

Provide evidential matter that is sufficient and competent to provide reasonable assurance that:

1. All financing commitments, both those connected with recorded financing (assets pledged, covenants, etc.) and those related to prospective or "off-balance-sheet" financing, are identified;
2. All financing commitments are properly authorized and classified;
3. All transactions are recorded in the correct period and amount;
4. The cost of financing is accounted for in accordance with generally accepted accounting principles;
5. All changes in equity accounts are properly recorded;
6. All equity balances are properly reported;
7. If the government is subject to the rebate calculation and refund requirements of the Tax Reform Act of 1986 (TRA):
 - a. The calculation has been made as required by law or regulation (annually on the anniversary date of each bond issue);
 - b. The refund has been made as required (30 days after the end of the fifth rebate year); and
 - c. Liabilities resulting from a failure to comply with rebate and refund requirements have been properly recorded as a loss contingency and/or disclosure has been made in the notes of potential loss of tax-exempt status.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies,

	Done By	Date	W/P Ref.
procedures, and records relevant to planning the audit of financing.	_____	_____	_____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests.	_____	_____	_____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks.	_____	_____	_____
C. ANALYTICAL PROCEDURES			
1. Review the planning procedures applicable to analytical procedures performed on financing and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
D. OTHER AUDITING PROCEDURES			
Auditing Procedures - Notes, Tax Anticipation Warrants and Contracts Payable			
1. Determine that all obligations of this nature have been properly authorized. Schedule and verify changes in all obligation accounts for the year.	_____	_____	_____
2. Circularize note holders. Determine interest rates, collateral, liens, and security agreements, if any.	_____	_____	_____
3. Determine that warrants, etc., have not been issued in excess of legal limitations and	_____	_____	_____

	Done By	Date	W/P Ref.
confirm that payments have been made in accordance with legal requirements.	_____	_____	_____
4. Determine that interest paid or accrued has been computed correctly.	_____	_____	_____
5. Determine any amount of retainage on construction billings in situations where construction projects are present. Examine contracts for proper authority.	_____	_____	_____
6. Determine that leases have been properly classified as capital or operating.	_____	_____	_____
E. OTHER AUDITING PROCEDURES - LOANS AND ADVANCES			
1. Determine that all obligations of this nature have been properly authorized. Schedule and verify changes in all obligation accounts for the year.	_____	_____	_____
2. Trace receipt to cash receipts.	_____	_____	_____
3. Determine that all items are properly recorded as a liability.	_____	_____	_____
4. Determine that all payments have been made as required.	_____	_____	_____
5. Verify interest rates and accruals.	_____	_____	_____
F. OTHER AUDITING PROCEDURES - BONDED DEBT			
1. Review bond register showing bonded debt.	_____	_____	_____
2. Check amounts authorized to records of election ordinances authorizing new issues in the current period.	_____	_____	_____
3. Trace proceeds of new bond issues to bank account using broker's confirmation as a source of verification account for unissued bonds, if applicable.	_____	_____	_____
4. Reconcile bonds issues at beginning of period and at end of period.	_____	_____	_____
5. Test interest expense for period and scrutinize it for any indication of unrecorded long-term debt.	_____	_____	_____

	Done By	Date	W/P Ref.
6. Verify bonds and coupons due but not paid with paying agent where appropriate.	_____	_____	_____
7. Determine compliance with bond ordinance requirements for establishment and maintenance of restrictive accounts.	_____	_____	_____
8. Verify payment of current year's maturities. (Examine cancelled bonds and interest coupons.)	_____	_____	_____
9. Confirm directly with the paying agent any year-end balances (including cancelled bonds and coupons on hand); that each issue has been serviced properly; and that the client has complied with all necessary requirements during the year.	_____	_____	_____
10. Determine that cash on hand with the paying agent is recorded as both an asset and a liability.	_____	_____	_____
11. Review underlying documentation for any other long-term debt.	_____	_____	_____
12. Determine that the total outstanding debt does not exceed the legal restrictions.	_____	_____	_____
G. OTHER AUDITING PROCEDURES - OTHER DEBT			
1. Review documentation supporting compliance with debt covenants. Review for waiver in case of noncompliance.	_____	_____	_____
2. Review calculation of debt limits compared to outstanding debt.	_____	_____	_____
H. OTHER AUDITING PROCEDURES - ARBITRAGE REBATE AND REFUND REQUIREMENTS UNDER THE TAX REFORM ACT OF 1986			
1. Obtain a listing of obligations issued since August 15, 1986, the effective date of 1986 TRA.	_____	_____	_____
2. Obtain for each bond issue the certificate as to arbitrage issued by bond counsel which is essential for an understanding of the compliance requirements relative to a bond issue.	_____	_____	_____
3. Determine whether:			

	Done By	Date	W/P Ref.
a. The foregoing bonds are subject to arbitrage rebate calculation and refund requirements of the TRA;	_____	_____	_____
b. The procedures adopted to ensure compliance with the arbitrage provisions of TRA are adequate. Consideration should be given to whether competent guidance has been received in this area from counsel and others;	_____	_____	_____
c. Accounting records are maintained by debt issue for proceeds, related investment earnings, and related rebate amounts, if any;			
d. Debt proceeds and bond issue reserve funds have been invested and the nature of the investment. Income on State and Local Government Series (SLGS) Program investments and income on tax exempt obligations will as a general rule be exempt from arbitrage;	_____	_____	_____
e. The arbitrage rebate calculation has been made annually on the bond issue anniversary date and whether the rebate amount has been placed in a separate account. The rebate calculation is generally made through the use of purchased software or by consultants;	_____	_____	_____
f. The appropriate rebate refund payment was made to the U.S. Treasury within 30 days after the end of the fifth rebate year. The rebate payment must be:	_____	_____	_____
(1). 90% of the calculated rebate amount, and	_____	_____	_____
(2). All interest earned on the rebate amount;	_____	_____	_____
g. Any penalties have been imposed by the Internal Revenue Service for failure to comply with the TRA;	_____	_____	_____
h. The government has been advised of the possible loss of tax exempt status on bond issues for failure to comply with the provisions of the TRA; and,	_____	_____	_____
i. The rebate amount and penalties, if any, are properly reported in the financial statements and/or disclosed in the notes thereto.	_____	_____	_____

	Done By	Date	W/P Ref.
4. Determine whether the local government's record retention policy requires records to be maintained for 6 years after the bonds are retired.			
I. OTHER AUDITING PROCEDURES - LOCAL GOVERNMENT ENTITY			
1. Sinking fund requirement and reserves.			
a. Examine the statutes, charter or ordinance with respect to the method of calculating annual sinking fund and reserve requirements.			
b. Determine that the reserve for retirement of sinking fund bonds is set-up on a basis provided by law. If there are no legal provisions respecting the basis of calculating requirements, see that such requirements are set-up on an actuarial basis.			
c. Note whether the reserve indicates correctly the amount of assets which should be in the fund.			
d. Note whether contributions and earnings thereon are in accordance with requirements.			
e. Determine that restricted assets are invested in the classes of securities as required by law, if applicable.			
f. Determine that sinking fund investments mature early enough to meet the bonds to be retired from the fund.			
2. Fund balances, retained earnings, reserves, and designations.			
a. Review the minutes of the governing body, boards, charter, and debt agreements to identify the authorizations for reservations or designations of fund balances. Determine that such reserves and designations are properly recorded and disclosed.			
b. Review balances for legal compliance.			
c. Analyze all transactions to the reserve accounts for the year.			

	Done By	Date	W/P Ref.
d. Analyze all transactions to fund balances or retained earnings accounts for the year to determine that all such transactions are properly reported in the financial statements or notes.	_____	_____	_____
e. Verify the validity of any adjustment to the fund balance or, where applicable, retained earnings accounts, and determine appropriate reporting if material.	_____	_____	_____
J. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. All financing commitments, both those connected with recorded financing and those related to prospective or "off balance-sheet" financing are identified;	_____	_____	_____
2. All financing commitments are properly authorized and classified;	_____	_____	_____
3. All transactions are recorded in the correct period and amount;	_____	_____	_____
4. The cost of financing is accounted for in accordance with generally accepted accounting principles;	_____	_____	_____
5. All changes in equity accounts are properly recorded;	_____	_____	_____
6. All equity balances are properly reported;	_____	_____	_____
7. The arbitrage rebate calculation, if required, has been made as required by law/regulation;	_____	_____	_____
8. The arbitrage refund has been made as required by law/regulation; and,	_____	_____	_____
9. There are no loss contingencies due to noncompliance that have not been properly recorded or disclosed.	_____	_____	_____
Except as follows:	_____	_____	_____

AICPA Local Governmental Unit

Insurance
12/31/89

Done		W/P
By	Date	Ref.

A. AUDIT OBJECTIVES

To provide evidential matter that is sufficient and competent to provide reasonable assurance that:

1. The local government has provided reasonable coverage for risks of loss;
2. Self-insurance programs are properly authorized and in accordance with state and local laws and regulations;
3. Self-insurance program premiums have been properly assessed and recorded in benefiting funds;
4. Claims payable for self-insurance programs have been properly determined and recorded;
5. Claims paid by self-insurance programs conform to self-insurance program requirements; and
6. Note disclosures relative to the local government's insurance programs provide adequate disclosure.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of insurance. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related risks. _____

C. ANALYTICAL PROCEDURES

	Done By	Date	W/P Ref.
1. Review the planning procedures applicable to analytical procedures performed on cash and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
D. OTHER AUDITING PROCEDURES			
1. Obtain a copy of the local government's insurance register.	_____	_____	_____
2. Verify the accuracy of the insurance register by comparing the referenced policy information to the insurance policy.	_____	_____	_____
3. Determine that the insurance register is complete by comparing recorded premium payments to the insurance policies shown by the insurance register. Trace covered property to the property records.	_____	_____	_____
4. Prepare a schedule showing the types of risks of loss to which the local government is exposed and how those risks are handled (for example, through commercial insurance, self-insurance, public risk pool, etc.).	_____	_____	_____
5. Where applicable, review local government resolutions, minutes, state statutes, etc., authorizing the retention of risk (self-insurance program).	_____	_____	_____
6. For self-insurance programs accounted for within an internal service fund, determine that premiums are:			
a. Recorded as charges for services in the internal service fund;	_____	_____	_____

	Done By	Date	W/P Ref.
b. Recorded as expenditures/expenses of the insured funds; and,	_____	_____	_____
c. Based on the loss experience of the internal service fund and allocated to the insured funds on a reasonable basis.	_____	_____	_____
7. Determine that claims and related expenditures/expenses have been recognized in accordance with GASB Codification section C50. Claims payable may be estimated through a case-by-case review of all claims, the application of historical experience to the outstanding claims, or a combination of those methods.	_____	_____	_____
8. Determine that the estimated liability includes INBR losses and that the basis used to establish such estimates is reasonable.	_____	_____	_____
9. Determine that the liability has been properly recorded and reported:			
a. For the general fund, claims payable are recorded using the modified accrual basis, with the current portion recorded as an expenditure and a fund liability and the long-term portion recorded in the general long-term debt account group.	_____	_____	_____
b. For internal service funds, the total of claims payable are reported as internal service funds liabilities.	_____	_____	_____
10. Select a representative sample of claims paid and verify that the claimed losses were documented and that the payments made conform to program provisions.	_____	_____	_____
11. Examine claims paid subsequent to the close of the fiscal year to determine the existence of unrecorded payables.	_____	_____	_____
12. Determine that consideration has been given to recording properly authorized interfund receivables and payables to eliminate internal service fund deficits.	_____	_____	_____
13. Determine that assets accumulated to pay claims are appropriately shown as reserved or			

	Done By	Date	W/P Ref.
designated for self insurance.	_____	_____	_____
14. Determine the accuracy and completeness of related note disclosures.	_____	_____	_____
E. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. The local government has provided reasonable coverage for risks of loss;	_____	_____	_____
2. Self-insurance programs are properly authorized and in accordance with state and local laws and regulations;	_____	_____	_____
3. Self-insurance program premiums have been properly assessed and recorded;	_____	_____	_____
4. Claims payable for self-insurance programs have been properly determined and recorded;	_____	_____	_____
5. Claims payable for self-insurance programs conform to self-insurance requirements; and,	_____	_____	_____
6. Note disclosures relative to the local government's insurance programs provide adequate disclosure;	_____	_____	_____
Except as follows:			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

AICPA Local Governmental Unit

Pension Trust Funds
12/31/89

Done	W/P
By	Date Ref.

A. AUDIT OBJECTIVES

To provide evidential matter that is sufficient and competent to provide reasonable assurance that:

1. The physical evidences of ownership of investments reported in the financial statements (stock certificates, bonds, notes, etc.) are on hand or held in custody or safekeeping by others for account of the client's pension trust funds;
2. Adequate disclosure has been made of the pledging of any investments, and credit risks are properly disclosed as required by GASB Statement No. 3;
3. Investments and the related income are properly valued, allocated, classified, and described in the financial statements;
4. Insurance contracts and accounts established to fund employee benefits are appropriately reported in the financial statements;
5. The amounts received or due the plan have been determined in accordance with plan requirements and recorded and reported in conformity with generally accepted accounting principles, including the establishment of an appropriate valuation allowance;
6. Benefit payment amounts conform to plan provisions;
7. Financial statement representations are consistent with actuarial findings.
8. Applicable accounting principles have been consistently applied; and,
9. Required supplementary information has been presented in accordance with guidelines established for its presentation and measurement.

B. AUDIT PLANNING

	Done By	Date	W/P Ref.
1. Discuss the following with pension plan administrators, trustees, or other appropriate client officials:			
a. Covered employees, retirees, etc.	_____	_____	_____
b. Participating employers.	_____	_____	_____
c. Types of plans (defined benefit or defined contribution plan).	_____	_____	_____
d. Date of latest actuarial review or update, name and address of actuary, and GASB Statement No. 5 actuarial requirements.	_____	_____	_____
e. Names and titles of client contact personnel and their respective responsibilities for the plan or plans.	_____	_____	_____
f. Funding of plan (self-insured, insured, or split-funded).	_____	_____	_____
g. Custody of investments.	_____	_____	_____
h. Responsibility for plan administration and location of accounting records and participant's data.	_____	_____	_____
i. The extent that records are automated and whether the local government or an outside EDP service processes plan data.	_____	_____	_____
j. Citations of applicable statutes and rules.	_____	_____	_____
k. The nature and extent of special reporting requirements, if any, and related audit requirements.	_____	_____	_____
l. The extent of involvement, if any, of specialists, consultants, internal auditors, and other independent auditors.	_____	_____	_____
m. Basis upon which financial statements are prepared (whether NCGA Statement 1, NCGA Statement 6, FASB Statement No. 34, or other).	_____	_____	_____
n. Significant changes in accounting principles, plan provisions, actuarial methods, etc.	_____	_____	_____
o. Significant contracts, litigation, or	_____	_____	_____

	Done By	Date	W/P Ref.
contingencies.	_____	_____	_____
p. If assets are held by a trustee, the nature of the trustee arrangement ("directed trust" or "discretionary trust").	_____	_____	_____
q. The extent to which component unit pension plans exist.	_____	_____	_____
2. Read the pension plan instruments, including amendments, to determine how the plan works, its funding, participating employers and employees, basis for determining benefits, etc.	_____	_____	_____
3. Read state and local statutes and rules authorizing the retirement programs and note all pertinent laws of potential material impact (for example, provisions specifying legal investment types).	_____	_____	_____
4. Read agreements with trustees, investment advisers, and insurance companies.	_____	_____	_____
5. Obtain and review relevant policy and procedure manuals and flowcharts.	_____	_____	_____
6. Read the prior year's annual report and current and prior year filings with regulatory agencies.	_____	_____	_____
7. Obtain from other independent auditors special purpose reports on the internal accounting control structure of service organizations which were responsible for executing, recording, and /or processing financial or finance-related data (for example, trustees with significant responsibility for pension plans or investment administration).	_____	_____	_____
8. Read reports from actuaries, trustees, insurance companies, other independent auditors, and internal auditors.	_____	_____	_____
9. Coordinate audit progress with trustees, actuaries, services centers, employers, other independent auditors, internal auditors, and others, as necessary.	_____	_____	_____
10. Consider integration of pension trust fund audit procedures with those specified for other segments (for example, use of payroll sample item to test participant records).	_____	_____	_____

Done W/P
By Date Ref.

C. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of the pension trust fund and related areas. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

D. ANALYTICAL PROCEDURES

1. Review the planning procedures applicable to analytical procedures performed on the pension trust funds and related areas and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation. _____

E. OTHER AUDITING PROCEDURES-INVESTMENTS

1. Obtain an analysis of changes in investments during the period. _____
2. Obtain evidence (by confirmation or physical count) concerning the existence and ownership of the investments. _____

	Done By	Date	W/P Ref.
3. Obtain information concerning any liens, pledges, or other security interests by reviewing minutes, agreements, and confirmations.	_____	_____	_____
4. For assets held by a trustee, obtain and review information concerning the trustee's responsibility and financial capability.	_____	_____	_____
5. Reconcile amounts confirmed or counted to recorded accountability.	_____	_____	_____
6. Test investment transactions for proper authorization, legality, proper recording as to dates, amounts, quantities, descriptions, and computation and allocation of gains and losses.	_____	_____	_____
7. Determine that income accruing from investments has been properly allocated and recorded.	_____	_____	_____
8. Obtain market values at balance sheet date and investigate significant differences from recorded values to determine if any write-downs are necessary.	_____	_____	_____
9. Review GASB Statement No. 3 disclosures.	_____	_____	_____
10. Perform such procedures as necessary to satisfy audit objectives concerning plan investments administered by trustees. (Note: It may be necessary to perform auditing procedures at the trustee's offices.) The extent of the trustee's responsibility for investment decisions, the physical location of available records, and the extent to which relevant reports of other independent auditors are available.	_____	_____	_____
11. For plan assets held by an insurance company:			
a. Read the contracts between the contract holder and the insurance company.	_____	_____	_____
b. Confirm with the insurance company:			
(1). Contributions or premium payments.	_____	_____	_____
(2). Interest, dividends, refunds, credits, and changes in value and whether such amounts have been charged or credited during the year on an estimated or actual basis.	_____	_____	_____

	Done By	Date	W/P Ref.
(3). The contract value or the fair value of the funds at the plan's year-end and the basis for determining such values.	_____	_____	_____
(4). The amount of insurance company fees and other expenses.	_____	_____	_____
(5). Annuity purchases or benefits paid.	_____	_____	_____
(6). Transfers between funds or accounts.	_____	_____	_____
c. Reconcile the confirmed balances and transactions with amounts recorded and reported by the client.	_____	_____	_____
d. Where it appears that records must be evaluated at the insurance company to satisfy audit objectives, consider requesting special purpose reports from the insurance company's independent auditors or internal auditors.	_____	_____	_____
e. Evaluate compliance with contract terms.	_____	_____	_____
f. Evaluate reasonableness of amounts credited to the contracts.	_____	_____	_____
g. Evaluate the sufficiency of related note disclosures.	_____	_____	_____
F. OTHER AUDITING PROCEDURES -CONTRIBUTIONS AND RELATED RECEIVABLES			
1. Obtain a list of participating employers (for multi-employer plans) and test its completeness by comparing the list to appropriate plan documents, statutory requirements, etc.	_____	_____	_____
2. Obtain a schedule showing contributions received or receivable sorted by employer and compare to the list of participating employers.	_____	_____	_____
3. Test contribution reports for arithmetic accuracy, use of the proper contribution rates, the use of the proper payroll or salary base amount, and proper posting to cash receipt records and bank statements or trustee reports.	_____	_____	_____
4. Test posting from the employer contribution reports to participant records and from participant records to contribution reports.	_____	_____	_____

	Done By	Date	W/P Ref.
5. Reconcile contributions received to the plan's cash receipt records and bank statements or trustee records.	_____	_____	_____
6. Confirm directly with contributors amounts contributed and receivable.	_____	_____	_____
7. Review accruals for conformance with generally accepted accounting principles.	_____	_____	_____
8. Evaluate the reasonableness of the plan's allowance for doubtful accounts.	_____	_____	_____
9. Compare contribution rates used to those recommended by the plan's actuary and those required by statute or rule.	_____	_____	_____
10. Consider the results of the auditing procedures applied to participant data and their effect, if any, on the amounts recorded as contributions and contributions receivable.	_____	_____	_____
11. Review note disclosures relative to pension plan contributions and related receivables.	_____	_____	_____
G. OTHER AUDITING PROCEDURES-BENEFIT PAYMENTS AND PAYABLES			
1. For selected participants or beneficiaries receiving benefit payments:			
a. Evaluate file documentation supporting eligibility and authorizing payments.	_____	_____	_____
b. Recompute benefit payment amounts and compare to actual payments.	_____	_____	_____
c. Examine cancelled check as to amount, date, signatures, and endorsements.	_____	_____	_____
d. Verify proper posting to cash disbursement, participant, and general ledger records.	_____	_____	_____
2. For a sample of cancelled benefit payment checks, compare payee, amount, date, signatures, and endorsements to related file documentation authorizing the payment and verify proper posting to cash disbursement, participant, and general ledger records.	_____	_____	_____

	Done By	Date	W/P Ref.
3. Evaluate the continued eligibility of participants or beneficiaries to whom payments have been made over an unusually long period of time.	_____	_____	_____
4. Investigate benefit payment checks which have been outstanding for a long period of time.	_____	_____	_____
5. Confirm benefit payments with selected participants or beneficiaries and compare confirmation signatures with related file documentation.	_____	_____	_____
6. Evaluate benefit payment accruals for conformance with generally accepted accounting principles.	_____	_____	_____
H. OTHER AUDITING PROCEDURES -PARTICIPANTS' DATA AND PLAN OBJECTIVES			
1. By reviewing pertinent sections of the pension plan instrument, statutes, or rules, identify participant data which should be tested because of its use in determining vesting, eligibility and/or benefit amounts (for example, demographic data, payroll data, benefit levels and options, etc.).	_____	_____	_____
2. For selected participants, verify relevant participant file data by comparing it to corroborative employer records (such as payrolls, employee earnings records, personnel files, etc.).	_____	_____	_____
3. For selected employees, trace payroll data to participant file data.	_____	_____	_____
4. Confirm participant file data with participants.	_____	_____	_____
5. Review tests, if any, by the plan administrator of data submitted by employees (for multi-employer plans).	_____	_____	_____
6. Consider obtaining a special report from employer auditors concerning the application of procedures similar to those described above.	_____	_____	_____
7. With regard to actuarial valuations of defined benefit plans:			

	Done By	Date	W/P Ref.
a. Obtain information concerning the professional qualifications and reputation of the actuarial firm.	_____	_____	_____
b. Obtain an understanding of the actuary's methods and assumptions.	_____	_____	_____
c. Submit an inquiry to the actuary concerning:			
(1). Whether the actuarial valuation considers all pertinent provisions of the plan, including any changes to the plan or other events affecting the actuarial calculations.	_____	_____	_____
(2). Relationships between the actuary and the plan or an employer which may impair the actuary's objectivity.	_____	_____	_____
(3). Aggregate and selected individual participant data amounts used in the actuarial valuations.	_____	_____	_____
(4). Whether the actuary has reviewed the relevant portions of the financial statements and agrees with such information as presented.	_____	_____	_____
d. Verify the accuracy and completeness of the participant data used in the actuarial valuations.	_____	_____	_____
8. With respect to defined contribution plans:			
a. Verify that allocations of income or loss, investment appreciation or depreciation, administrative expenses, and forfeitures have been made in accordance with plan provisions.	_____	_____	_____
b. Employer contributions have been properly allocated.	_____	_____	_____
c. Employee contributions have been credited to the proper participant account and investment medium.	_____	_____	_____
d. Verify that the sum of individual accounts reconciles with total net assets available for benefits.	_____	_____	_____
I. REVIEW PROCEDURES - REQUIRED SUPPLEMENTARY INFORMATION			

	Done By	Date	W/P Ref.
1. With regard to 10-year historical trend information, inquire of management as to the methods used in preparing the information including:			
a. Whether it is measured and presented in accordance with the guidelines of GASB.	_____	_____	_____
b. Whether the methods of measurement or presentation have been changed from those of the prior period and the reasons for such changes.	_____	_____	_____
c. Any significant assumptions or interpretations underlying the measurement or presentation.	_____	_____	_____
2. Compare the information for consistency with:			
a. Management's responses to the above inquiries.	_____	_____	_____
b. Audited financial statements.	_____	_____	_____
c. Other knowledge obtained during the examination of the financial statements.	_____	_____	_____
3. Consider whether representations on required supplementary information should be included in the request for the management representation letter.	_____	_____	_____
4. Make additional inquiries if application of the above procedures indicates that the 10-year historical trend information may not be measured or presented in accordance with GASB guidelines.	_____	_____	_____
J. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. The physical evidences of ownership of investments reported in the financial statements (stock certificates, bonds, notes, etc.) are on hand or held in custody or safekeeping by others for account of the client's pension trust funds;	_____	_____	_____
2. Investments and the related income are properly valued, allocated, classified and described in the financial statements;	_____	_____	_____

	Done By	Date	W/P Ref.
3. Adequate disclosure has been made of the pledging of any investments and credit risks are properly disclosed as required by GASB Statement No. 3;	_____	_____	_____
4. Insurance contracts and accounts established to fund employee benefits are appropriately reported in the financial statements;	_____	_____	_____
5. The amounts received or due the plan have been determined in accordance with plan requirements and recorded and reported in conformity with generally accepted accounting principles, including the establishment of an appropriate valuation allowance;	_____	_____	_____
6. Benefit payment amounts conform to plan provisions;	_____	_____	_____
7. Financial statement representations are consistent with actuarial findings;	_____	_____	_____
8. Applicable accounting principles have been consistently applied; and,	_____	_____	_____
9. Required supplementary information has been presented in accordance with guidelines established for its presentation and measurement;	_____	_____	_____

Except as follows:

_____	_____	_____
_____	_____	_____
_____	_____	_____

AICPA Local Governmental Unit

Financial Reporting

12/31/89

Done		W/P
By	Date	Ref.

A. AUDIT OBJECTIVES

To provide evidential matter that is sufficient and competent to provide reasonable assurance that:

1. The financial statements being reported upon are fairly stated in accordance with generally accepted accounting principles consistently applied, including all required disclosures, or in accordance with another comprehensive basis of accounting; and,
2. Our report on the examination is appropriately worded, and in conformity with generally accepted auditing standards.

B. EVALUATION OF INTERNAL CONTROL STRUCTURE

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of financial reporting. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

C. ANALYTICAL PROCEDURES

1. Review the planning procedures applicable to analytical procedures performed on the financial statements and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____

	Done By	Date	W/P Ref.
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
D. OTHER AUDITING PROCEDURES			
1. Obtain, or prepare a trial balance of general ledger accounts for the working papers, trace balances to general ledger and foot the trial balance.	_____	_____	_____
2. Review client's year-end adjusting journal entries for unusual items.	_____	_____	_____
3. Post all adjusting and reclassification journal entries that have properly been approved by firm and client personnel to the working papers, and give a copy of appropriate entries to the client for posting to the books.	_____	_____	_____
4. Prepare a summary of passed adjustments which reflects the net effect of such adjustments on individual fund assets, liabilities, equity, revenue, and expenditures. Determine if the overall effect on each fund type is material and state conclusion in summary. Consider the need for additional audit adjustments.	_____	_____	_____
5. Extend trial balances and compare to amounts reported in the financial statements.	_____	_____	_____
6. Obtain confirmation letters from the client's attorneys.	_____	_____	_____
a. Ascertain that replies received are complete and that all contingencies mentioned are considered for possible disclosure in the financial statements.	_____	_____	_____
b. Obtain opinion as to compliance of the budget adoption and approval process.	_____	_____	_____
7. Obtain signed minutes representation letter and ascertain that we have received and reviewed all minutes listed in the letter.	_____	_____	_____

	Done By	Date	W/P Ref.
8. Obtain signed management representation letter. Include appropriate reference to budget adoption.	_____	_____	_____
9. Examine the appropriate statements of economic interests for purposes of review regarding any possible conflicts of interest.	_____	_____	_____
10. Examine and schedule surety bonds. Determine legal requirements with regard to adequacy of coverage.	_____	_____	_____
11. Ascertain that all required disclosures are included in the financial statements or notes. See AICPA <u>Disclosure Checklists for State and Local Governmental Units</u> .	_____	_____	_____
12. Ascertain that the independent auditors' report is appropriately worded.	_____	_____	_____
13. Have the client review and approve the final draft of the financial statements.	_____	_____	_____
14. Make appropriate notations regarding matters to be discussed with audit partner, manager, and/or in-charge auditor.	_____	_____	_____
E. OVERALL CONCLUSIONS			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. The financial statements being reported upon are fairly stated in accordance with generally accepted accounting principles consistently applied, including all required disclosures, or in accordance with another comprehensive basis of accounting; and,	_____	_____	_____
2. Our report on the examination is appropriately worded and in conformity with generally accepted auditing standards.			
Except as follows:			

AICPA Local Governmental Unit

Budget Compliance
12/31/89

	Done By	Date	W/P Ref.
A. Audit Procedures to Test Budgetary Compliance			
1. Examine evidence of monitoring process for budgetary controls.	_____	_____	_____
2. Review evidence of corrective action taken on significant variations from budget noted from the monitoring process.	_____	_____	_____
3. Review documentation of interim changes to budgeted reviews.	_____	_____	_____
4. Compare prior year's actual expenditures and revenues to current budget.	_____	_____	_____
5. Compare interim budget reports with actual results for evidence of noncompliance.	_____	_____	_____
6. For any material excess of expenditures over appropriations in individual funds:			
a. Determine whether such excess constitutes a violation of law.	_____	_____	_____
b. Determine whether such excess has adequately been disclosed.	_____	_____	_____
7. Review reconciliation of budgetary and GAAP bases.	_____	_____	_____

AICPA Local Governmental Unit

Subsequent Events
12/31/89

Done W/P
By Date Ref.

A. AUDIT OBJECTIVES

To provide evidential matter that is sufficient and competent to provide reasonable assurance that:

1. There are no significant unrecorded liabilities as of the date of the balance sheet; and,
2. The effect of any significant and/or unusual transactions occurring during the period from the balance sheet date to the date of our report is adequately considered and/or disclosed in the financial statements.

B. REVIEW PROCEDURES

1. For period following balance sheet date, perform the following procedures in the areas summarized below. This audit program is not to be considered an all-inclusive summary of procedures to be performed but only a guide; the industry, accounting procedures, and internal control structure of the local government should be considered in determining the nature and extent of the review.
2. Attach a memorandum setting forth other records reviewed, steps performed, and your conclusions regarding the above subsequent events review. _____

C. SCOPE OF REVIEW

From: _____ (Audit Date)

To: _____ (Report Date - Last
Date of Significant Field
Work)

1. For vouchers recorded in subsequent period, account for all serial numbers for subsequent period (No. _____ to No. _____) and examine vouchers over \$ _____ for unrecorded liabilities. _____
2. For vendors' invoices in process of being recorded at date of report, scan invoices and examine invoices over \$ _____ for unrecorded liabilities. _____

	Done By	Date	W/P Ref.
3. Check register:			
a. Account for all checks issued in subsequent period (No. _____ to No. _____).	_____	_____	_____
b. Scan check register or numerical checkfile in subsequent period for amounts over \$ _____ not supported by voucher.	_____	_____	_____
c. Examine support for items over \$ _____ noted in 3.b. for unrecorded liabilities.	_____	_____	_____
4. Review interim financial statements for period subsequent to balance sheet date and relate them to statements being reported on as well as to statements for comparable prior periods. Investigate any significant differences, results, events, or changes in accounting method.	_____	_____	_____
5. Review all journal entries and scan general ledger for subsequent period for any large (\$ _____) or unusual entries and obtain explanation of entries noted.	_____	_____	_____
6. Review cash receipts summaries and review cash receipts data not entered in cash receipts summary for the subsequent period for large (\$ _____) or unusual items and obtain explanation.	_____	_____	_____
7. Review minutes of governing body and important committee meetings. (Note: Where minutes have not been prepared in final form, obtain draft copies or inquire as to what transpired in the meetings.)	_____	_____	_____
8. Inquire of responsible officials as to the following items (attach memorandum or comments regarding significant matter discussed):			
a. Receivables:			
(1). Exceptional bad debt losses.	_____	_____	_____
b. Property and equipment:			
(1). Purchase or sale of major plant/equipment.	_____	_____	_____

	Done By	Date	W/P Ref.
(2). Commitments or plans for major purchases or sales of plant/equipment.	_____	_____	_____
(3). Loss of plant/equipment due to fires, abandonment, etc.	_____	_____	_____
c. Liabilities:			
(1). New borrowings, including important covenants agreed to in connection therewith.	_____	_____	_____
(2). Liabilities in dispute or being contested, such as creditors' invoices.	_____	_____	_____
d. Litigation:			
(1). Pending lawsuits and/or settlements of lawsuits.	_____	_____	_____
(2). Wage negotiations or strikes in progress or pending.	_____	_____	_____
(3). Penalties assessed (such as environmental type penalties)	_____	_____	_____
(4). Loss of significant grant funds or notices of potential disallowances.	_____	_____	_____
e. Other matters:			
(1). Changes in accounting and/or financial policies.	_____	_____	_____
(2). Illegal acts.	_____	_____	_____
(3). Others (list as applicable):	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
9. Make appropriate notations regarding matters to be discussed with audit partner, manager, and/or in-charge auditor.	_____	_____	_____

Done	W/P
By	Date Ref.

D. OVERALL CONCLUSIONS

In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:

1. There are no significant unrecorded liabilities as of the date of the balance sheet; and, _____
2. The effect of any significant and/or unusual transactions occurring during the period from the balance sheet date to the date of our report is adequately considered and/or disclosed in the financial statements;

Except as follows:

AICPA Local Governmental Unit

Federal Financial Assistance (Single Audit)
12/31/89

Done W/P
By Date Ref.

A. AUDIT OBJECTIVES

[NOTE: If an entity receives Federal financial assistance and is not required to comply with the Single Audit Act of 1984 (e.g., the assistance is less than \$25,000), the auditor shall determine that the financial statements are not materially misstated.]

1. The objectives of auditing procedures for Federal financial assistance are to provide evidential matter that is sufficient and competent to provide reasonable assurance that :
 - a. The financial statements of the entity are presented in conformity with GAAP.
 - b. The local government's internal control structure provides reasonable assurance that it is managing Federal and state financial assistance programs in compliance with applicable laws and regulations; and
 - c. The local government has complied with laws and regulations that have a material effect upon the financial statements and upon each major Federal and state financial assistance program.

B. AUDIT PLANNING

1. Review applicable laws, regulations, and other references governing performance of the single audit of Federal financial assistance (see Appendix A). _____
2. Obtain a copy of the local government's single audit report from the preceding year. Make note of Federal programs, reportable conditions relating to the internal control structure, and any compliance findings. Obtain copy of client's corrective action plan. Determine if any state programs are to be included in the audit scope. _____
3. Review and discuss with responsible local government officials the procedures used to administer Federal programs. _____

	Done By	Date	W/P Ref.
4. Obtain a schedule of Federal financial assistance, reconcile the schedule to the general accounting records, and:			
a. Determine that the schedule includes all types of Federal assistance as defined by OMB Circular A-128, paragraph 5.b.	_____	_____	_____
b. Determine that the schedule reports Federal "programs," not individual grants. Federal programs are defined in the <u>Catalog of Federal Domestic Assistance</u> .	_____	_____	_____
c. Determine the entity for Single Audit purposes.	_____	_____	_____
d. Contact the cognizant agency and receive input on important areas.	_____	_____	_____
e. Determine that the schedule shows at a minimum:			
(1). The program title and the CFDA number for each program, unless the program is not included in the <u>Catalog of Federal Domestic Assistance</u> . Those programs not included in the <u>Catalog</u> should be shown as other Federal assistance;	_____	_____	_____
(2). Total expenditures for each Federal program by grantor, department, or agency; and,	_____	_____	_____
(3). Total Federal financial assistance expenditures.	_____	_____	_____
5. Rank the federal programs in descending order by expenditure amount, determine the major program threshold, and identify the major Federal financial assistance programs.	_____	_____	_____
6. For testing internal controls: If expenditures for all major programs do not exceed 50 percent of total Federal financial assistance program expenditures, or if the local government has no major Federal financial assistance programs, select the largest nonmajor programs until at least 50 percent of total Federal financial assistance expenditures are included.	_____	_____	_____

	Done By	Date	W/P Ref.
7. Review samples selected during tests of the internal control structure and the examination of the general purpose financial statements and identify nonmajor program transactions included therein.	_____	_____	_____
8. Prepare a working paper showing the Federal programs to be subjected to further auditing procedures and indicate the nature of the procedures to be applied to each program. Such procedures may include:			
a. "Preliminary review" of the internal control structure (required for all Federal programs; however, see PCIE Position Statement No. 3 that provides for the rotation of nonmajor programs on a 3-year basis for purposes of the preliminary review of the internal control structure).	_____	_____	_____
b. Internal control structure evaluation (required for all major programs and nonmajor programs selected pursuant to the "50 percent rule").	_____	_____	_____
c. Program compliance review (required for all major programs to determine compliance with laws and regulations material in effect to the respective program).	_____	_____	_____
d. Transaction compliance review (required for nonmajor program transaction selected for testing as a result of the audit of the general purpose financial statements).	_____	_____	_____
9. Obtain a copy of grant agreements for those Federal and state programs selected for testing from the permanent file. Review the documents for unusual provisions, budgets, or other items of significance. Also, locate other sources of compliance information, for example the OMB <u>Compliance Supplement for Single Audits of State and Local Governments</u> , specific program regulations, the <u>Catalog of Federal Domestic Assistance</u> , etc.	_____	_____	_____
10. While testing internal controls, obtain an understanding of the possible effects on each major program (and the largest nonmajor programs if the 50% rule must be applied) of applicable			

	Done By	Date	W/P Ref.
program laws, rules, and regulations. Document this understanding by listing those laws, rules, and regulations which may have a material effect on the allowability of program expenditures in the event of substantial noncompliance. These laws, rules, and regulations shall be considered during the evaluations of administrative controls, tests of transactions, and other procedures deemed necessary (e.g., tests of compliance with matching requirements).	_____	_____	_____
11. Determine if the local government has an indirect cost allocation plan.	_____	_____	_____
12. Determine the extent to which grantor funds have been disbursed to subrecipients.	_____	_____	_____
13. Discuss with client the format desired for the Single Audit Report (included in the CAFR, separate Single Audit Report, etc.).	_____	_____	_____
C. INTERNAL CONTROL EVALUATION			
1. Identify the significant categories of internal accounting and administrative controls.	_____	_____	_____
2. For major and nonmajor programs perform a review sufficient to obtain a basic understanding of the control environment and the flow of transactions. (Note: For purposes of the "preliminary review" of controls, PCIE Position Statement No. 3 provides for the rotation of nonmajor programs on a 3-year cycle, with approval.)	_____	_____	_____
3. For major programs (and selected nonmajor programs selected pursuant to the "50% rule"), perform an evaluation of the internal control structure as a part of the examination of the client's financial statements and as a part of the review of the controls used in administering Federal assistance programs. (Note: the following steps are applicable for the evaluation of internal controls (accounting) as a part of the examination of the general purpose financial statements and for the evaluation of internal controls (accounting and administrative) used in the administration of Federal assistance programs).	_____	_____	_____

	Done By	Date	W/P Ref.
a. Obtain an understanding of the design of relevant policies and procedures and whether they have been placed in operation for the control environment, accounting system, and control procedures. This includes, but is not limited to, a review of the client's procedures for Federal assistance regarding:			
(1). Budgeting;	_____	_____	_____
(2). Expenditure preaudit and approval;	_____	_____	_____
(3). Segregation of duties;	_____	_____	_____
(4). Adequate safeguarding of access to and use of assets;	_____	_____	_____
(5). Processing of subgrants of Federal funds; and,	_____	_____	_____
(6). The requesting of reimbursement or advance of Federal funds.	_____	_____	_____
(7). The need to evaluate the employee's understanding of the requirements that they administer.	_____	_____	_____
b. Document the understanding of the internal control structure obtained. The review of internal controls should include administrative controls as well as accounting controls. Administrative controls include the following general and specific categories:			
<u>General Requirements:</u>			
(1). Political activity;	_____	_____	_____
(2). Davis-Bacon Act;	_____	_____	_____
(3). Civil rights;	_____	_____	_____
(4). Cash management;	_____	_____	_____
(5). Relocation assistance and real property acquisition; and,	_____	_____	_____
(6). Federal financial reports.			
(a). <u>Specific Requirements</u>			

	Done By	Date	W/P Ref.
(1). Types of services;	_____	_____	_____
(2). Eligibility;	_____	_____	_____
(3). Matching, level of effort;	_____	_____	_____
(4). Reporting;	_____	_____	_____
(5). Cost allocation;	_____	_____	_____
(6). Special requirements, if any;	_____	_____	_____
(7). Monitoring subrecipients.	_____	_____	_____
c. Perform tests of controls, assess the audit risk, and revise audit programs as appropriate. Document the basis for conclusions.	_____	_____	_____
D. COMPLIANCE PROCEDURES			
1. For selected grants determine that grant receipts were properly recorded, classified, and that requests were according to grant conditions.	_____	_____	_____
a. Review receipts issued shortly before and shortly after year-end to determine that all cash collected has been recorded in the proper period.	_____	_____	_____
2. For each major Federal and state program, select a sample of expenditures charged and determine whether:			
a. Expenditures appeared reasonable and necessary for the program;	_____	_____	_____
b. Expenditures were for allowable charges under the terms of the program and were adequately documented;	_____	_____	_____
c. Expenditures were properly authorized and recorded as to program, account, amount, and period;	_____	_____	_____
d. Records document that those who received services or benefits were eligible to receive them.	_____	_____	_____

	Done By	Date	W/P Ref.
e. Expenditures were in accordance with the provisions of OMB <u>Compliance Supplement for Single Audits of State and Local Governments</u> applicable to the particular transaction;	_____	_____	_____
f. Expenditures were in accordance with the provisions of OMB Circular A-87 applicable to the particular transaction;	_____	_____	_____
g. Expenditures were in accordance with the provisions of OMB Circular A-102 and the "Common Rule" to the extent applicable to the grantor and the particular transaction; and,	_____	_____	_____
h. Expenditures were in accordance with applicable State laws and program requirements.	_____	_____	_____
3. For each major Federal and state program and selected nonmajor Federal programs, as applicable, perform general (see supplemental audit program on general requirements) and specific compliance tests. List programs and attach separate work programs based on the <u>Compliance Supplement for Single Audits of State and Local Governments</u> or other sources (grants agreements, etc.):			
a. _____	_____	_____	_____
b. _____	_____	_____	_____
c. _____	_____	_____	_____
d. _____	_____	_____	_____
4. Determine that nonmajor program transactions tested as part of examination of the general purpose financial statements comply with the laws and regulations applicable to each of the respective transactions. This includes the following:			
a. Expenditures appeared reasonable and necessary for the program;	_____	_____	_____
b. Expenditures were for allowable charges under the terms of the program and were adequately documented;	_____	_____	_____

	Done By	Date	W/P Ref.
c. Expenditures were properly authorized and recorded as to account, amount, and period.	_____	_____	_____
d. Records document that those who received services or benefits were eligible to receive them; and,	_____	_____	_____
e. Amounts were determined according to Circular A-87 and Circular A-102.	_____	_____	_____
E. TEST OF SUBRECIPIENT COMPLIANCE			
If the local government does not have any subrecipients (receiving at least \$25,000) of Federal programs, check here _____ and omit the balance of this section.			
1. Determine all subrecipients receiving at least \$25,000.	_____	_____	_____
2. Review the local government's controls established to monitor that the subrecipient spent the Federal funds in compliance with applicable laws and regulations. (OMB Circulars A-87, A-102, and A-128)	_____	_____	_____
3. Determine that the local government monitored the subrecipient audit reports (the subrecipient must meet the audit requirements of A-110 or A-128) and has taken any corrective measures required.	_____	_____	_____
F. TEST OF INDIRECT COST ALLOCATION PLAN			
If the local government does not have an indirect cost plan, check here _____ and omit the balance of this section.			
1. Determine that the local government's indirect cost plan contains the following: basis for establishment of an indirect cost rate, list of costs to be allocated and method used for allocation.	_____	_____	_____
2. Review reasonableness of indirect cost allocations by reference to approved plans and to prior period amounts and the budget.	_____	_____	_____
3. If indirect costs are charged to Federal programs, test the costs to determine that they	_____	_____	_____

	Done By	Date	W/P Ref.
were accumulated in conformity with the indirect cost allocation plan.	_____	_____	_____
4. Determine that the indirect costs included in the pool were not charged directly to other projects.	_____	_____	_____
5. Determine that the indirect costs rate used is the same as the rate in the local government's cost allocation plan.	_____	_____	_____
6. Examine rate determination workpapers for inclusion of indirect costs.	_____	_____	_____
7. Examine cost reimbursement requests for indirect cost inclusion.	_____	_____	_____
8. Compare overhead allocation by department or agency to prior year and current budget.	_____	_____	_____
9. For other procedures to be performed, as appropriate, see ASLGU 22.31 and OMB Questions and Answers to OMB Circular A-128.	_____	_____	_____
10. Determine that statistical data included in the bases are current and reasonable.	_____	_____	_____
11. Determine that allocated costs were included within the period under audit.	_____	_____	_____
G. PROPERTY			
1. For selected property items acquired with grant funds, review the property records to determine that the records include a description of the property, a serial number or other identification number, the source of the property, who holds title, acquisition date, cost, location, use and condition of the property, percentage of Federal participation, and disposition data.	_____	_____	_____
2. Determine that title to the property has been properly recorded in the government's name.	_____	_____	_____
3. Determine that a physical inventory of property is taken and reconciled to the property records at least once every two years.	_____	_____	_____
4. For property dispositions, review supporting	_____	_____	_____

	Done By	Date	W/P Ref.
documentation to ascertain the conditions of disposition and determine that any required settlements have been made with the awarding agency.	_____	_____	_____
H. REPORTING ON FEDERAL AND STATE FINANCIAL ASSISTANCE			
1. Determine that we have requested confirmation letters from the client's attorneys which included references to the Single Audit. Ascertain that replies are complete and that all contingencies are mentioned, as well as any issues of noncompliance with Federal regulations, are considered for possible disclosure in the Single Audit Report.	_____	_____	_____
2. Determine that the signed management representation letter(s) contained references regarding Single Audit representations.	_____	_____	_____
3. If the local government requests that the Report on Federal and State Financial Assistance be included with their annual financial statements, prepare the Independent Auditor's Report on such financial statements and determine that it is appropriately worded and dated.	_____	_____	_____
4. If the client requests a separate Report on Federal and State (if applicable) Financial Assistance, prepare the Independent Auditor's Report on the schedule of Federal and State financial assistance.	_____	_____	_____
5. Prepare the schedule of findings and questioned costs. (See Appendix D.)	_____	_____	_____
6. Prepare the Independent Auditor's Report on the internal control structure based on an evaluation made as part of the examination of the general purpose financial statements.	_____	_____	_____
7. Prepare the Independent Auditor's Report on internal accounting and administrative controls required by the Single Audit Act.	_____	_____	_____
8. Prepare the Independent Auditor's Report on compliance with laws and regulations that may have a material effect on the general purpose financial statements.	_____	_____	_____

	Done By	Date	W/P Ref.
9. Prepare the Independent Auditor's Report on compliance required by the Single Audit Act.	_____	_____	_____
10. Review the Single Audit Report draft with appropriate local government officials.	_____	_____	_____
I. OVERALL CONCLUSION			
In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
1. The local government has complied with laws and regulations that may have a material effect upon the financial statements;	_____	_____	_____
2. That the local government's internal control structure provides reasonable assurance that the local government is managing its Federal programs according to the applicable laws and regulation;	_____	_____	_____
3. That the local government has complied with laws and regulations that may have a material effect upon each major Federal and state program, according to generally accepted auditing standards, the provisions of <u>Government Auditing Standards</u> , promulgated by the U.S. General Accounting Office, as they pertain to financial audits, the Single Audit Act of 1984 (Pub. Law No. 95-502) the provisions of the Office of Management and Budget's Circular No. A-128, <u>Audits of State and Local Governments</u> , and the <u>Compliance Supplement for Single Audits of State and Local Governments</u> , except as follows:	_____	_____	_____

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A. NOTE: Completion of this audit program is required only when the local government has major programs as defined under the Single Audit Act.

B. TEST OF GENERAL COMPLIANCE REQUIREMENTS

1. Political Activity

Compliance Requirement - Federal funds cannot be used for partisan political activity of any kind by any person or organization involved in the administration of federally-assisted programs. (Hatch Act (5 U.S.C. 1501-1508) and Intergovernmental Personnel Act of 1970 as amended by Title 42 U.S.C., Section 4728).

Auditing Procedures

- | | | | |
|---|-------|-------|-------|
| a. Review the Government's system for monitoring whether FFA is used for political activity and evaluate for adequacy. | _____ | _____ | _____ |
| b. Test the expenditures and related records for indications of lobbying activities, publications, or other materials intended for influencing legislation or similar type costs. | _____ | _____ | _____ |
| c. Test the personnel and payroll records, and identify persons whose responsibilities or activities include political activity. | _____ | _____ | _____ |
| d. Test whether the above costs, if any exist, are charged directly or indirectly, to federally-assisted programs. | _____ | _____ | _____ |

2. Davis-Bacon Act

Compliance Requirement - When required by the Federal grant program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction projects financed by Federal assistance must be paid wages not less than those established for the locality of the project by the Secretary of Labor. (46 Stat 1494, Mar. 3, 1931, Chap. 411, 40 U.S.C. 276A-276A-5)

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<u>Auditing Procedures</u>			
a. Identify the programs involving construction activities.	_____	_____	_____
b. Review selected construction contracts and subcontracts and determine whether they contain provisions requiring the payment of "prevailing" wages.	_____	_____	_____
c. Review the Government's system for monitoring applicable contractors and subcontractors with respect to payment of prevailing wages and evaluate for adequacy.	_____	_____	_____
d. Review the monitoring system for contracts for selected programs and determine whether there is adherence to prescribed procedures.	_____	_____	_____
e. For Governments who have not developed a system, or whose system is not operating effectively:			
(1). Obtain the "local" DOL wage determination from the recipient, the architect/engineer (A/E) managing the project, or DOL.	_____	_____	_____
(2). Obtain payroll lists from contractors and review wages paid.	_____	_____	_____
(3). Determine whether wages paid conform to the prevailing wages.	_____	_____	_____
3. Civil Rights			

Compliance Requirement - No person shall, on the grounds of race, color, national origin, age, or handicap, be excluded from participation in or be subjected to discrimination in any program or activity funded, in whole or in part, by Federal funds. Discrimination on the basis of sex or religion is also prohibited in some Federal programs. (age--42 U.S.C. 6101 et seq.; Race--42 U.S.C. 2000d; Handicap--29 U.S.C. 784.)

Auditing Procedures

a. Determine whether the governmental unit has announced a formal policy of nondiscrimination.	_____	_____	_____
--	-------	-------	-------

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b. For recipients employing 15 or more persons, ascertain whether a person has been designated to oversee civil rights compliance.	_____	_____	_____
c. Ascertain from the grant agreement(s) whether any of the programs contain prohibitions against discrimination on the basis of sex or religion.	_____	_____	_____
d. Ascertain the number of complaints filed with Federal, state or local agencies responsible for ensuring nondiscrimination in government programs during the fiscal year; the status of unresolved complaints or completed investigations.	_____	_____	_____
e. Ascertain whether any of the programs contain prohibitions against discrimination in employment; for those programs (1) review the annual report filed with the Equal Employment Opportunity Commission (EEOC), if any and (2) ascertain the number of complaints and investigations, and the actions taken on resolved complaints or completed investigations.			
(1). Review the annual report, if any, filed with the Equal Employment Opportunity Commission (EEOC).			
(2). Ascertain the number of complaints and investigations, and the actions taken on resolved complaints or completed investigations.			
f. Determine whether facilities financed by Federal funds that are required to be located in a nondiscriminatory manner are so located.	_____	_____	_____
g. Obtain representation and/or attorney letters to determine if any civil rights suits have been adjudicated or are pending.	_____	_____	_____

4. Cash Management

Compliance Requirement - Grantee financial management systems shall include procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and disbursement of funds by the Grantee.

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Advances made by primary recipients to secondary recipients shall conform substantially to the same standards of timing and amount as apply to advances by Federal agencies to primary recipient organizations.

(OMB Circular A-102; Intergovernmental Cooperation Act of 1968, P.L. 90-577 (sec. 403), as amended by P.L. 96-470, Title I, Section 10-1(b)).

Auditing Procedures

- | | | | |
|--|-------|-------|-------|
| a. Review the Government's cash forecasting process and evaluate for adequacy. | _____ | _____ | _____ |
| b. Review the Government's system for requesting Federal funds and evaluate whether it is adequate to keep Federal Cash disbursements limited to the Government's immediate needs. | _____ | _____ | _____ |
| c. For selected grant programs, determine dates and amounts for selected advances, drawdowns, and other receipts of Federal funds and compare to the dates the funds were disbursed or checks were presented to the banks for payment. | _____ | _____ | _____ |
| d. For the same programs, evaluate the size of the balances in relation to the program's needs. | _____ | _____ | _____ |
| e. Review the Government's system for monitoring advances and payment requests by secondary recipients. Evaluate whether the system is sufficient to limit payments to amounts needed to meet immediate cash requirements. | _____ | _____ | _____ |
| f. Review selected cash reports submitted by subrecipients and determine if the reports show large amounts of excess cash. If they do, ascertain why. | _____ | _____ | _____ |
| 5. Relocation Assistance and Real Property Acquisition | | | |

Compliance Requirements

Federal aid programs may require the acquisition

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of property by a public agency and subsequent displacement of households and businesses.

Grant recipients acquiring property in the administration of Federal aid must carry out certain actions systematically, e.g., have property appraised in presence of owner, review appraisals, set price and negotiate settlements. Similarly, when displacement (relocations) are involved, the recipient must, for example, provide assistance systematically in locating replacement housing, assure that it meets acceptable standards and maintain records on all acquisitions and displacements (Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (P.L. 91-646)).

Auditing Procedures

- | | | | |
|---|-------|-------|-------|
| a. Ascertain whether the recipient is administering a Federal or federally-assisted program that involves the acquisition of property or the displacement of households or businesses by a public agency. | _____ | _____ | _____ |
| b. Review the organization's system for compliance with relocation assistance and real property acquisition requirements and evaluate for adequacy. | _____ | _____ | _____ |
| c. Review the monitoring system for relocation and acquisition activity for selected programs and determine whether there is adherence to the prescribed procedures. | _____ | _____ | _____ |
6. Federal Financial Reports

Compliance Requirement - Most Federal programs require the periodic submission of financial reports that fall within one or more of the following three categories. The specific requirement for each grant program is presented in the Reporting Requirements (III-D) section for that program. The suggested audit procedures are provided below to facilitate the requirements for the auditor under A-128, OMB Circular A-102, "Grants and Cooperative Agreements with State and Local Governments"; and Treasury Circular 1075, "Withdrawal of Cash

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from the Treasury for Advances under Federal
Grant and Other Programs":

- a. OMB Circular A-102 and the "Common Rule," list four required financial reports that apply to most of the programs described in this document.
 - (1). Financial Status Report (SF 269 or SF 269a) - Reports status of funds for all non-construction programs.
 - (2). Request for Advance or Reimbursement (SF 270) - Request funds for non-construction programs when advance letter of credit or predetermined advance payments are not used.
 - (3). Outlay Report and Request for Reimbursement for Construction Programs (SF 271) - Requests for reimbursements and reports status of funds for construction programs.
 - (4). Report of Federal Cash Transaction (SF 272) - Reports cash transactions and balances for Grantees receiving cash by letter of credit or treasury checks.
- b. Treasury Circular 1075 list two alternative cash management reports, one of which applies to each program financed through letters-of-credit:
 - (1). Request for Payment on Letter of Credit and Status of Funds Report (SF 183)
 - (2). Payment Voucher on letter of Credit (TFS 5041).
- c. Certain Federal agencies have received OMB approval to adapt the above reports or require other financial reports to meet their particular program needs.

Auditing Procedures

- (1). Review the procedures for preparing the Federal financial reports and evaluate for adequacy.
- (2). Sample Federal financial reports for each

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material program and review for completeness and timeliness of submission.	_____	_____	_____
(3). Trace data to the supporting documentation, i.e., worksheets, ledgers, etc.	_____	_____	_____
(4). Review adjustments made to the general ledger amounts in the report affecting Federal programs and evaluate for propriety.	_____	_____	_____

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Appendix A - Suggested Reference Materials
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American Institute of Certified Public Accountants (AICPA)

Codification of Statements on Auditing Standards

Audit and Accounting Guide - Audits of State and Local Governmental Units
(Revised Edition, 1986)

Audit and Accounting Guide - Audit Sampling

Audit and Accounting Guide - The Auditor's Study and Evaluation of Internal
Control in EDP Systems

Audit and Accounting Guide - Audits of Employee Benefit Plans

Technical Practice Aids, Section 6955 - Single Audit Act of 1984

Ethics Interpretation 501-3 - "Failure to Follow Standards and/or Procedures
or Other Requirements in Governmental Audits"

Interpretation of SAS 22 - Planning Considerations for an Audit of a
Federally-Assisted Program (AU Section 9311.04)

Statement 1 on Quality Control Standards

Disclosure Checklists for State and Local Governmental Units.

Governmental Accounting Standards Board

Codification of Governmental Accounting and Financial Reporting Standards,
June 15, 1987

Office of Management and Budget

Circular A-50 Revised: Audit Follow-up (9-82)

Circular A-87 Revised: Cost Principles for State and Local Governments
(1-81) (Formerly FMC 74-4)

Circular A-102: Grants and Cooperative Agreements With the State and Local
Governments (March 11, 1988)

Circular A-110: Grants and Agreements With Institutions of Higher
Education, Hospitals, and Other Nonprofit Organizations (7-76)

Circular A-122: Cost Principles for Nonprofit Organizations (7-80)

Circular A-128: Audits of State and Local Governments (4-85)

Office of Management and Budget (Continued)

Questions and Answers on the Single Audit Provisions of OMB Circular A-128
"Audits of State and Local Governments" - November 1987

Catalog of Federal Domestic Assistance

Compliance Supplement for Single Audits
of State and Local Governments - Uniform Requirements for Grants to State
and Local Governments (Revised April 1985)

General Accounting Office

Government Auditing Standards (1988 Revision)

U. S. Department of Education

Compliance Requirements for Selected ED Programs Not Included in OMB
Compliance Supplement (1-30-85)

Student Financial Assistance Programs Audit Guide: May 1988

President's Council on Integrity and Efficiency (Single Audit Committee)

Federal Cognizant Agency Audit Organization Guidelines (including PCIE
Position Statements)

Other

Public Law 98-502, Single Audit Act of 1984

Intergovernmental Cooperation Act

Uniform Administrative Requirements for Grants and Cooperative Agreements to
State and Local Governments - "Common Rule" - Published March 11, 1988,
Federal Register with individual Federal Agency Actions

Applicable Federal Rules and Regulations

Applicable State Laws and Administrative Rules and Regulations

Local Government Charter

Local Laws, Rules, and Regulations

AICPA Local Governmental Unit

Appendix B - Auditing and Reporting Concerns 12/31/89

During an audit engagement, the auditor should be aware that often there are signals that may indicate a potential audit or reporting problem. Some signals or indicators may suggest the need to modify audit procedures.

Listed below are examples of indicators the auditor may encounter in an audit of a governmental unit. It should be noted that the existence of a particular indicator does not necessarily mean there is a problem requiring extended audit procedures. The list, however, should be considered by the auditor in performing analytical procedures and in designing his/her audit procedures.

Items Highlighted Through Review of Financial Ratios or Statistics

- o Revenue-based indicators:
 - Decreasing value of taxable property.
 - Increasing ratios of delinquent taxes to total tax levy.
 - Increasing ratios of maximum legal tax rates.
 - Increasing ratios of actual revenues below budgets.
 - Litigation relative to equalization of assessment actions.
- o Expenditure-based indicators:
 - Increasing excesses of expenditures over revenues.
 - Increasing incidence of actual expenditures in excess of budgets.
 - Continuing increases in amount of unfunded vested benefits of pension programs.
- o Cash management indicators:
 - Increasing amounts of aggregate short-term investments.
 - Increasing amounts of unpaid current obligations.
 - Decreasing income from short-term investments (that are not a result of falling interest rates).
- o Debt Indicators:
 - Increasing ratio of bond indebtedness to total property value.

- Increasing need to borrow to meet debt service requirements.
- Increasing use of long-term debt to fund current expenditures.
- Increasing amount of short-term borrowing remaining unpaid at the end of the fiscal year.

Nonfinancial Indicators

- o Client Personnel:
 - Rapid turnover.
 - Management changes.
 - Weak financial personnel.
 - Unfilled positions due to budget limitations.
 - Internal auditors performing "special tasks" rather than auditing.
- o Client relationships with auditors:
 - Accounting and reporting disputes.
- o Weaknesses in accounting information system.
 - Lack of internal controls.
 - Poor cutoffs.
 - Reports not issued on a timely basis.
 - Inability to reconcile detailed records to general ledger balances.
 - Large number of exceptions in transactions or confirmations.
 - Client's inability to prepare meaningful analyses of activity.
 - Lack of timely or no budget status reports.
- o External Considerations (e.g., economy, industry):
 - Large industrial plant closing or moving from community.
 - Environmental legislation or pressures.

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Appendix C- Federal Transaction Test Criteria
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The following criteria are those that often are applied during the audit of Federal transactions. Those criteria are presented as examples only. Judgment must be used to determine the test criteria to be applied to a particular Federal program or transaction.

1. Was the expenditure contemplated in the approved budget?
2. Were only costs applicable to the Federal Financial Assistance Program charged?
3. Was the expenditure made in accordance with specific program compliance requirements and other limitations or exclusions in the Federal assistance agreement?
4. Was the classification of direct or indirect charges in accordance with cost allocation plan(s) or grant agreements?
5. Was prior approval obtained from the Federal granting agency, if appropriate?
6. Was there adequate documentaion supporting the expenditure, including all authorization signatures, evidence of preaudits, etc?
7. Does the expenditure appear to be necessary and reasonable and "benefit" or assist in the accomplishment of the goals of the Federally assisted program?
8. Was the expenditure properly coded and recorded?
9. Were capital expenditures properly recorded in the property records and identified as required by Federal administrative guidelines, specific program compliance requirements, and Federal assistance agreements?
10. Do assets acquired with the sample Federal expenditure exist and are they being used for the purpose for which they were acquired?
11. Was the expenditure given consistent accounting treatment and applied uniformly and equitably to all benefitting activities/programs, both Federally assisted and otherwise?
12. Was the expenditure net of any applicable credits?
13. Was the expenditure incurred during the authorized grant period or authorized extension thereto?
14. Were the charges incurred in accordance with competitive purchasing procedures, if applicable?
15. If an expenditure was in violation of any Federal regulations or grant

agreement terms and the auditee has asserted that such violations were approved by the Federal grantor agency, was such approval documented in writing by the Federal agency?

AICPA Local Governmental Unit
Appendix D
Criteria for Determining Questioned Costs
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Criteria established to determine and report questioned costs vary from one Federal agency to another. Many of the criteria are imposed by Congress at the time programs are authorized and funds are provided; however, other criteria are established through Federal agency regulations. Generally, the criteria for determining and reporting questioned costs are as follows:

- o Unallowable costs. Certain costs are specifically unallowable under the general and special award conditions or agency instructions. (They include, but are not limited to, pregrant and postgrant costs and costs in excess of the approved grant budget either by category or in total.)
- o Undocumented costs. Costs are charged to the grant for which adequate detailed documentation does not exist, for example, to demonstrate their relationship to the grant or the amounts involved.
- o Unapproved costs. Costs that are not provided for in the approved grant budget, or costs for which the grant or contract provisions or applicable cost principles require the awarding agency's approval, but for which the auditor finds no evidence of approval.
- o Unreasonable costs. Costs incurred that may not reflect the actions that a prudent person would take in the circumstances, or assigning an unreasonably high valuation to in-kind contributions.

